COTTON FUTURES

WITH COMPLIMENTS OF

ALFRED B. SHEPPERSON,

NEW YORK.

ADDENDUM.—By a recent change in the rules, Cotton delivered on Future Delivery contracts in New Orleans is now certificated as to grade by an official of the Cotton Exchange. The certificate holds good for a year from it's date.

"COTTON FUTURES"

The business of buying and selling Cotton for Future Delivery as conducted on the New York, New Orleans and Liverpool Cotton Exchanges and its advantages to Merchants, Manufacturers, Bankers, and Farmers

BY

ALFRED B. SHEPPERSON

(Author of "Cotton Facts")

NEW YORK

ALFRED B. SHEPPERSON

COTTON EXCHANGE BUILDING

1911

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"COTTON FUTURES"

The business of buying and selling cotton for future delivery and its advantages to cotton merchants, manufacturers and farmers.

The opinion is entertained by many persons who have not fully investigated the subject that the transactions on the New York and New Orleans Cotton Exchanges in cotton for future delivery are almost entirely for speculation and of no service to legitimate interests.

This idea is very erroneous, for as a matter of fact the facilities for the buying and selling of "cotton futures" on the New York and New Orleans Cotton Exchanges are absolutely essential to the successful prosecution of the business of cotton merchants and manufacturers as now conducted.

Cotton merchants throughout the country, from New England to Texas and Oklahoma, are constantly compelled to sell cotton of specified grades with the stipulation that the delivery of some or all of it will not be made until months in the future. By buying "cotton futures" at the time of their sale of actual cotton for forward delivery, the cotton dealers can protect themselves from loss should an advance in price occur before the time for them to ship the cotton. As they buy the cotton to meet their sales, they sell out their purchases of "futures," and if the price of spot cotton has advanced, they will be reimbursed by the profit on their transaction in "futures." If "futures" should decline after their purchase, the loss will be made up by the greater profit they will make by the decline in spot cotton since their sale of it.

Many cotton merchants—and especially in the interior markets of the South—buy cotton daily when the receipts are liberal, though they may have no orders for it from their correspondents. They constantly buy in anticipation of orders, and their buying supports the market and enables farmers to sell their cotton readily and at much better prices than they could obtain if the merchants would not buy without actual orders in hand for the cotton offered.

As the merchants buy spot cotton in anticipation of orders for it, they at once sell "cotton futures" in New York or New Orleans to the extent of their purchases. This is called "hedging," and protects them from loss should spot cotton decline before they dispose of their purchases, as their loss on it would be compensated for by their profit on the sales of "futures" against it.

Of course, the merchants buy in their sales of "futures" as they sell their spot cotton.

In the Southern cities and towns cotton is sold for cash on delivery, and merchants frequently have to obtain advances from the banks before they can draw against their shipments. It greatly facilitates the securing of such advances when "cotton futures" have been sold against the cotton on which the loans are desired, because the spot cotton is thus protected from a decline in the market.

Many cotton mills now sell their product of yarns and cloth for delivery many months in the future, and nearly all of them try to do so. In order to do this with safety they must know the cost of the cotton for months before it is manufactured. Unless the market for cotton "futures" is availed of, the only way to do this is either to own or to buy the actual cotton at the time the sale of yarns or cloth for future delivery is made. This would involve a large outlay of capital with the loss of interest on it, besides the expense of storage and insurance and the loss in the weight of the cotton, while not to do so would be to speculate on the future price of cotton.

Under the present methods, the cotton manufacturer can safely sell the product of his factory for delivery far into the future by buying "futures" to the extent of the raw material required, and then purchasing the actual cotton as it is needed for manufacture and selling out his "futures" as he buys the cotton to meet his requirements. If the price of cotton advances between the time of his purchase of "futures" and the date on which he buys the actual cotton, he will usually make a profit on the transaction in "futures" sufficient to make good the difference. But for the facilities offered by buying "futures" in the manner indicated the cotton manufacturer of moderate capital would be unable to sell his product except for quick delivery, without taking great risks of loss by an advance in the price of the raw material.

The system of dealing in "cotton futures" gives manufacturers of moderate means equal advantages with those of large capital in selling their product far into the future. Without the aid of the "futures" system it is very evident that the manufacturers of small or moderate capital would be at a very serious disadvantage.

One of the most prominent of the mill treasurers of New England wrote me concerning "cotton futures" as follows:

"The system is, I think, a great convenience to spinners. . . .

"The advantage of buying 'futures' instead of actual cotton

arises from the saving of capital, interest, storage and insurance. The disadvantage is that the contract may not be filled in a manner to meet all the spinner's wants."

"But whatever convenience the system may afford the spinner, it seems to me that the greatest benefit is given to the producer of cotton. The existence of the system proves that it is for the mutual advantage of buyer and seller. If it were not, it would not exist. Whatever is for the advantage of buyer and seller must, in the long run, benefit the producer by giving him a better average price for his product. If the planter wishes to prohibit the system of buying and selling 'futures,' I think the manufacturer should let him have his wish. The effect would, it seems to me, be to cause a large accumulation of cotton at the receiving points at certain seasons, which, being held for actual cash sale, would find a smaller number of buyers than now exist. There would be times when the load would be greater than the factors could carry, and a buyer with ready money could then buy to great advantage. If 'futures' were abolished the number of buyers would be less, the average price lower, and the buyer in control of large amounts of ready money could, at favorable times, secure better bargains than he now does."

"I may add that a spinner wishing to secure cotton does not generally buy 'futures' in the market."

"He contracts with a responsible merchant for the delivery, but the merchant would not take the risk of future prices unless he could protect himself at the time of the contract by buying what are technically called 'futures.' "

This letter describes with rare force and clearness the advantages of the future delivery business to spinners, merchants and farmers.

The dealing in "cotton futures" on the New York and New Orleans Cotton Exchanges is undoubtedly of great advantage to the cotton growers in preventing the great depression in price which formerly prevailed when the bulk of the crop was being marketed.

Since the advent of the future delivery business the range of fluctuations in the price of spot cotton has been much narrower than before that time, and this has been of great benefit to cotton growers, many of whom are obliged to sell their cotton in the autumn and early winter, when receipts are largest and prices usually the lowest of the season.

Should the market for cotton advance to a very remunerative

price, the cotton grower can secure this good price for his crop long before its maturity by having his cotton factor sell "futures" against the crop. When the crop is ready to be marketed it can be sold upon its own merits as spot cotton, and the sales of "futures" covered by the purchase of the quantity previously sold.

Trading in "cotton futures" undoubtedly causes more stability in the market for spot cotton.

The buying of "futures" tends to advance the price, while the selling of "futures" checks unreasonable advances. The effect of speculative buying and selling, therefore, is to make prices for "futures" and for spot cotton more in conformity with the actual conditions of present and prospective supply and demand.

Every cotton merchant of experience can readily recall many instances when an active demand for "cotton futures" has caused an advance in "spot cotton" or checked and prevented a decline.

Notwithstanding the fact that about 60 per cent. of the American cotton crop is exported, it is quite certain that for the last twelve or fifteen years the price of cotton has been chiefly influenced by the New York and New Orleans markets.

Many can remember well when the Liverpool market controlled the price of cotton in this country, but that is not the case now, as all well-informed cotton merchants know.

Frequent personal observation during the last ten years has shown me that the trading in "futures" on the Liverpool Cotton Exchange is often practically suspended while waiting for advices from the New York market, and as soon as these advices are received by cable and posted on the bulletin board of the Cotton Exchange the trading at once resumes activity.

I am perfectly confident that if the trading in cotton for future delivery on the New York and New Orleans Exchanges should be seriously interfered with that the price of cotton for this country would be absolutely dictated by the European markets, and especially by Liverpool.

It goes without saying that most of the cotton dealers and spinners in Europe would always be in favor of low prices, and just as low as they could be forced.

The validity and perfect legality of contracts for the future delivery of cotton and other commodities have been upheld by decisions of the State courts and by the Supreme Court of the United States.

In a decision of the United States Supreme Court in the suit of the Chicago Board of Trade against the Christie Grain and Stock Company, read on May 8, 1905, by Justice Holmes, the

court vigorously maintained the validity of contracts for future delivery and the methods of their settlement.

After affirming the legality of "futures" contracts the decision referred to their settlement as follows:

"We must suppose that from the beginning as now, if a member had a contract with another member to buy a certain amount of wheat at a certain time and another to sell the same amount at the same time, it would be deemed unnecessary to exchange warehouse receipts. We must suppose that then, as now, a settlement would be made by the payment of differences, after the analogy of a clearing house. This naturally would take place no less that the contracts were made in good faith for actual delivery, since the result of actual delivery would be to leave the parties just where they were before. Set-off has all the effects of delivery. The ring settlement is simply a more complex case of the same kind. . . ."

"The fact that contracts are satisfied in this way by set-off and the payment of differences detracts in no degree from the good faith of the parties, and if the parties know when they make such contracts that they are very likely to have a chance to satisfy them in that way and intend to make use of it, that fact is perfectly consistent with a serious business purpose and an intent that the contract shall mean what it says. . . ."

On July 21 and 22, 1892, the Hon. Edward Douglass White, then Senator from Louisiana and now Chief Justice of the Supreme Court of the United States, delivered a speech in opposition to a bill then under consideration in the U. S. Senate which would have practically prohibited the buying and selling of cotton for future delivery.

Of the perfect legality of contracts for cotton for future delivery and the unconstitutionality of federal laws to prohibit such contracts the distinguished speaker said in part:

"The purpose of this bill is to strike down contracts which can be validly entered into, protected by the judgments of the courts of last resort of all this Union. I challenge any Senator upon this floor to produce a single modern authority which does not recognize that the right to make these contracts under the dominion and jurisdiction of the State courts is as absolutely sacred and as well protected by the ægis of the State law as his right to hold his home, or any other right that he has within the dominion of the State.

"This, then, is a bill licensing the Federal Government to step over the State line and destroy any contract made within a State

between citizens of the State which the Federal Government may choose to destroy.

"Is it denied that these are valid contracts? Is it denied that they are contracts made under the State law and under protection of the State courts? Is it denied that this bill strikes at contracts between citizens of the State and a *res* or a thing within that State? That being the case, I ask Senators, mindful of their great oath to support the Constitution of the United States, where within the four walls of that Constitution can they find a pretext for this great usurpation of authority? If the theory which this bill propounds is true, every vestige of State autonomy has been wiped off, and to-day, instead of having a government of limited and restrictive powers, each government moving by the force of constitutional gravity in its own orbit, we stand the most unlimited and arbitrary government on the face of God's earth.

"Now, how will Senators justify this measure? I put it to every Senator, does this power exist in the Federal Government? I challenge any Senator to say that he believes the power exists in the Federal Government to go into a State and destroy contracts made between citizens of the State protected by State laws, contracts outside of the domain of federal jurisdiction. Can the Federal Government regulate marriage? Can it regulate divorce? Can it determine the title to property? Can it pass upon the tenure by will? Can it usurp all the functions reserved to the States as a necessary part of the existence of the State governments? If it cannot do these things, by what mandate of authority can this proposed law be put upon the statute books?"

Speaking of the advantages derived from the system of "cotton futures," he said:

"The inevitable tendency of modern business is to draw people together, to make intercommunication of man with man greater. The inevitable result is equality. The "futures" business is the necessary result of the struggle between men for equality. Before the "futures" business came into being, the large capitalists had to furnish the money with which to carry on commerce. This "futures" system, as I have said, is the result of the struggle for equality. Before it came large fortunes were required to carry and hold the products and submit to the great expense and risk which resulted from the holding them until taken by consumers, whereas now the ingenuity and quickness of the minds of men, responding to the wants of modern trade, have engendered this system of future delivery, which has put every man upon a footing of equality with every other man, enabling

one without large capital to be the equal relatively of the man with great capital."

"See what a revolution it has worked in the Southern States. Formerly great masses of cotton would come to the city of New Orleans and be stored. The buyer was gone. Decline was rapid. It required the actual presence of a man of means to buy this property in order to hold it, because the buyer must submit himself to the risk of loss if cotton declined."

"What is the cotton situation now? Why, the receipts, as they come in, are distributed over the year under this system of future contracts. Cotton is bought for future delivery and is thus taken from the spot market. The small consumer is enabled to buy because he is not obliged to pay cash, but can take advantage of a transaction for future delivery. That is the situation. It has curtailed the profits of the millionaires. It has reduced the charge to the producer."

Every statement and argument advanced by this eminent statesman and jurist is as applicable now as when he made his able address in the Senate.

Sales of cotton for future delivery were made in New York as early as 1863. These sales were chiefly of cotton on vessels in transit to European ports, and the ownership of the cotton changed hands frequently before arrival at destination.

The increasing volume of the business caused the organization of the New York Cotton Exchange, chiefly for the better regulation of the system of trading in cotton for future delivery.

The business of buying and selling cotton for future delivery in about the same manner as now transacted on the Cotton Exchanges of New York, Liverpool and New Orleans was regularly inaugurated in New York in September, 1870, when the New York Cotton Exchange established rules and regulations for its systematic conduct. Under the auspices of the Liverpool Cotton Association (or Exchange) similar trading in "cotton futures" was commenced in Liverpool in 1873.

The business in "cotton futures" was established by the New Orleans Cotton Exchange in January, 1880.

By the "future delivery" system of trading on these Exchanges contracts are made for the purchase and sale of cotton to be delivered as far in the future as ten to twelve months from the date of the transactions, though the greater part of the trading is for deliveries within four or five months in the future.

The "futures" contracts dealt in on the Cotton Exchanges of New York, Liverpool and New Orleans, while differing in many details, are alike in the following essential particulars.

First. The time of delivery within the period during which the contract calls for delivery is at the option of the seller, who is required to give to the buyer written notice of the exact date upon which he will deliver the cotton contracted for.

This notice of intention to deliver upon a specified date must precede delivery three days in New York, five days in New Orleans and ten days in Liverpool. New York and New Orleans contracts restrict the delivery within the month named.

Second. The contracts are all for cotton grown in the United States and baled in what are known as "square bales."

The least quantity for which a "futures" contract is made is for 50,000 pounds (gross weight) in New York and in New Orleans, and 48,000 pounds (net weight) in Liverpool.

In New York and New Orleans the price stipulated in the contracts is for middling cotton, with additions or deductions for other grades according to rates fixed by the regulations of the Exchanges. The seller has the option of delivering any grades from good ordinary (white) to fair, inclusive, and in New York if stained or "tinged" cotton not below middling, stained, or low middling, tinged. In New Orleans the lowest grade of stained cotton tenderable is low middling, stained.

In Liverpool the contract price is for middling cotton with additions or deductions for other grades to be settled by arbitration, but nothing below the value of good ordinary, white, can be delivered. Contracts in Liverpool usually give the seller two months in which to deliver, and the seller may tender the cotton at his option during those months. Liverpool contracts are sometimes made, however, restricting the delivery within a single month.

Trading in "futures" is now done in New York and New Orleans by hundredths of a cent and in Liverpool by two hundredths of a penny.

The uncertainty as to the date of delivery, and also as to the grades of cotton which the seller may deliver, has the effect of generally keeping the price of "futures" contracts below the price of cotton for immediate delivery (known to the trade as "spot cotton").

In New York and New Orleans the parties to a "futures" contract can require each other to deposit money in a bank or trust company as "margins" for such amounts as the variations of the market for like deliveries may from time to time warrant. In New York an "original margin" up to $5 per bale, to remain in bank or trust company until settlement of the contract, may

be required by either party, provided demand therefor is made within twenty-four hours after the transaction. The party demanding "original margin" must also deposit an equal amount himself.

In Liverpool the "futures" contract business is usually done upon what are called "weekly settlement terms." By this plan, on every Thursday all contracts are settled through a cotton clearing-house to the basis of the market price for like deliveries on the preceding Monday at 11 A.M. as declared by the Cotton Association Committee. The differences are paid to the party to the contract in whose favor the market has turned. Through the clearing-house system these differences go back and forth between buyer and seller until the contract is settled. It is not usual to call margins on Liverpool futures.

In Liverpool and in New Orleans the cotton delivered upon "futures" contracts is inspected, classed, and weighed each time it is delivered.

In New York, since September 1, 1887, the inspection, sampling, classing and weighing of all cotton delivered upon "futures" contracts has been done under the auspices of the New York Cotton Exchange and under the supervision of the inspector-in-chief of cotton, an officer appointed by the Exchange "to take entire supervision and direction" of these matters. After being inspected, classed and weighed, cotton can be delivered and redelivered at any time during twelve months upon the original certificate of classification and weight issued by the inspector-in-chief.

Cotton intended for delivery upon New York "contracts" is inspected, sampled and weighed under the personal supervision of an assistant inspector of cotton, by samplers and weighers duly licensed by the Exchange. No sampler can be employed who is in the service of any one interested in the cotton to be sampled.

The samples are submitted to the Classification Committee of the Cotton Exchange, who determine the grade, subject, however, to a revision by that committee upon appeal by any party interested. The decision reached upon this revision is final.

Not less than two members of the Classification Committee are competent to act upon an original classification, and upon an appeal from their decision three of the committee of six must act.

The members of the Classification Committee are salaried officers of the Cotton Exchange, and are not permitted to be engaged directly or indirectly in any business connected with

cotton. They cannot, therefore, possibly have any interest whatever in the cotton submitted to them for classification. The cotton is classed bale by bale, and a certificate is given stating how many bales there are of each grade in each lot or class mark.

After cotton has been sampled and weighed, negotiable warehouse receipts, stating the marks of bales and lot numbers, are issued to holders of cotton, no receipt to be for more than about 100 bales or 50,000 pounds.

The inspector-in-chief of cotton has entered on these receipts the weight of the cotton in accordance with the records of his office. He also issues a certificate stating the number of bales of each grade in accordance with the decision of the Classification Committee or the Appeal Committee on Classification.

Negotiable warehouse receipts, accompanied by the inspector-in-chief's certificate of grade as above described, constitute a good delivery on contracts for cotton sold for future delivery.

The weight as entered by the inspector-in-chief on the warehouse receipt must be accepted by all parties for one year from date of weighing, subject to an allowance of one-half pound per bale per month or fraction of a month.

The Cotton Exchange Inspection Fund is responsible for the correctness of the certificates issued by the inspector-in-chief as to the grade of cotton certified to, but the claim must be made within one year after the date of the certificate upon which it is based and before the cotton leaves the port of New York.

The Inspection Fund will not be liable for loss in weight, it being considered that the allowance of one-half pound per bale per month will cover the shrinkage.

The methods of procedure when New York contracts for future delivery are settled by the delivery of the cotton are as follows:

The seller sends to the buyer a notice naming the day upon which he proposes to deliver the cotton, such notice to be given not less than three days prior to the day of intended delivery. If the buyer has also sold the cotton for delivery during the same month for which he has received notice, it is usual for him to transfer the notice of delivery (by proper indorsement thereon) to the party to whom he has sold, and such transfers are made until 3 P.M. of the day the notice is issued, or until it's receipt before that hour by a party who has bought but has not sold, or who desires to receive the cotton.

The last party who receives the notice receives the cotton upon the day named for it's delivery from the party who issued the notice of delivery and pays for it at the price named in the

transferable order, which price must be within one-fourth of a cent per pound of the market price of spot cotton quoted by the Cotton Exchange on the day before issuing the order. He settles for the cotton with the party who issued the order, and if the price is less than his contract, he pays to the other party to his contract the difference. If, however, the price he has to pay for the cotton according to the transferable order is more than the price in his contract, then the other party to the contract sends him with the transferable order a check for the difference between the contract price and the price named in the transferable order.

The notice of delivery is often transferred to many parties before the hour (3 P.M.) at which it's circulation ceases under the rules. All intermediate parties between the party who issues the notice of delivery and the party who receives the cotton settle with each other the difference between their respective contracts and the price of the transferable order upon which the cotton is finally received and paid for.

By this method the actual delivery of one hundred bales of cotton upon a single contract serves to effect the settlement of many contracts, often aggregating as much as 3,000 bales.

In the course of business a majority of the contracts are settled before the month of their maturity and without actual delivery of cotton. They are settled by "direct settlements" and "ring settlements." If a merchant should sell for a client (or for himself) a contract for future delivery and subsequently buy for another client (or for himself) a contract for delivery in the same month as that for which he had previously sold, and if these transactions were both made with the same member of the Exchange, a direct settlement would be made as between the two members of the Exchange, as the subsequent transaction would be an offset to, and act as a "direct settlement" of, the previous transaction.

"Ring settlements" of contracts are made in the following manner: If a member of a Cotton Exchange sells 100 bales of cotton for future delivery and the party to whom he sells has previously sold or may afterward sell to another, and this other has previously sold or may afterward sell to the first party, all the transactions being for the same month of delivery, then the ascertainment of this condition of trading makes a settlement of the contracts existing between all three of the parties, which is called a "ring settlement." Each one of these three parties having bought and sold futures for the same month's delivery,

has no interest in the matter beyond the difference between the price at which he bought and the price at which he sold. The "ring settlement" enables them to liquidate their contracts of purchase and of sale and to realize the profit or loss upon the transaction long before the month of delivery stipulated in the contracts. The "ring settlements" usually embrace more than three parties, and frequently twelve or more.

During the previous and the present session of Congress several bills have been introduced to virtually prevent the dealing in cotton for future delivery as now transacted on the New York and New Orleans Cotton Exchanges.

The well-known facts that the more persons who trade in and are thus interested in the value of any commodity, the more active the business, and that active markets make good prices, seem to have been entirely overlooked in the eagerness to enact prohibitive legislation. It was also forgotten that the fewer the buyers, the lower the price.

The personal conclusions expressed in this article are based upon impartial and thorough investigation. My own convictions respecting the benefit of the future delivery system to all interested in cotton—from the farm to the factory—have recently been fortified by letters received from many prominent merchants and bankers.

Alfred B. Shepperson.

New York, June 8, 1911.

INMAN, NELMS & CO.

HOUSTON, TEXAS, March 13, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In response to your letter of 8th inst., we wish to state that the "futures" markets are an absolute necessity to protect our trades and obviate speculation.

If the Scott Anti-Option Bill should become a law it would mean a great calamity to the cotton industry and hamper legitimate business, which can now be transacted with safety and in large proportions by the protection of the "futures" markets. Furthermore, we would be forced to buy our spot cotton on a much wider margin in order to protect ourselves, while now the farmer is benefited by securing this additional price, which would otherwise be absorbed in the margin if this Bill should be passed.

Yours truly,

INMAN, NELMS & CO.

BRYAN HEARD A. W. POLLARD

HEARD & POLLARD

COTTON MERCHANTS

Cable address "Heard Houston."

HOUSTON, TEXAS, March 18, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We do not hesitate to say that the opportunity to buy and sell cotton "futures" through our Cotton Exchanges is a facility that is a distinct advantage to the operation of the cotton merchandise business. In our judgment there is one point in the discussion of the anti-option legislation which has not been fully brought out; and that is that a cotton merchant reckons his profit at a smaller percentage in the turnover than merchants in any other line of trade in the country. Many retail merchants reckon their profit at, say, as high as 50%; some higher and some lower. Wholesalers will figure that they are doing a bad business if they can't count their profit at 10%. In contradistinction to this, a cotton merchant thinks he is doing a big business if he can count his profit at 1%. He is enabled to figure so closely by reason of having so near at hand a means of hedging and protecting himself with "futures" contracts, thereby reducing his risks to a minimum. In the ordinary operation of the business one usually buys before he sells or sells before he buys. In either case, if left wide open, it would involve business risks which

prudent men will not take and which our financial institutions would not countenance; but, having constantly in hand a means of covering makes the hedging system an almost indispensable help to the business. If deprived of this facility it would mean a complete tearing up and reorganization of the business. We do not believe there is anybody in the trade who would not like to see some regulation that would eradicate those who deal in cotton "futures" strictly as a gambling or speculating medium, but if legislation is enacted that is sufficiently drastic to eradicate that evil, then it would certainly have an effect upon the cotton merchandise business not anticipated by those who see nothing in cotton "futures" but gambling.

We believe that the Cotton Exchanges and the cotton trade generally make a mistake in sitting by and presuming upon the safety of the Exchanges and our cotton contract facilities until the last moment, when we awaken to find a bill like the "Scott Bill" is about to be railroaded through Congress. Then there is a wild rush and an avalanche of protest to Washington. In our opinion the Exchanges and the trade should call some sort of a general convention for a discussion of the anti-option legislation and be in a position, when we protest to our law-makers against the passage of such a drastic bill as the "Scott Bill," to offer them something that would as far as possible reach the evil they are after, that is the dealing in cotton "futures" as a medium for gambling and manipulation only.

Yours very truly,

HEARD & POLLARD.

H. L. EDWARDS F. P. WEBSTER F. J. PHILLIPS

H. L. EDWARDS & CO.

COTTON MERCHANTS

Cable address "Edwards."

DALLAS, TEXAS, March 11, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your favor of the 8th inst., will say that we consider it not only a great convenience, but at times an absolute necessity in order to avoid speculation, for our firm to buy or sell cotton "futures" on the exchanges of New York and New Orleans against purchases or sales they make of spot cotton.

Yours very truly,

H. L. EDWARDS & CO.

CABLE ADDRESS
"FELDER" Dallas

BUYING AGENCIES

Terrell, Texas	Ft. Worth, Texas
Greenville, Texas	Gainesville, Texas
Ennis, Texas	McKinney, Texas
Waxahachie, Texas	Paris, Texas
Alvarado, Texas	Chickasha, Okla.
Hillsboro, Texas	Ada, Okla.

W. D. FELDER & COMPANY

COTTON

DALLAS, TEXAS, March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to yours of March 7th, beg to state that if we were not allowed to hedge our sales with "futures" contracts, either in New York, New Orleans or Liverpool, that it would curtail our business considerably; we think fully fifty per cent. At present we will buy a few thousand bales of spot cotton, and if we do not have a place for it, sell "futures" against the same as a hedge, and in the summer months, when there is no spot cotton in the interior for future shipments, we sell a few thousand bales of "spots" and buy a like number of "futures." If it were not for the protection we secure in the "futures" market these forward sales would not be made by us, and on the other hand, we would never buy spot cotton unless we had an order in hand for the same. We are sure it would be very bad for the South if the New York and New Orleans Cotton Exchanges were put out of business, but on the other hand we believe that we would be able to make a much larger margin of profit on the actual business we did, if the exchanges were eliminated.

Yours very truly,

W. D. FELDER & Co.

BUSH & WITHERSPOON CO.

COTTON

WACO, TEXAS, March 31, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We beg to say most emphatically that the opportunity to buy and sell "futures" in both Cotton Exchanges of New York and New Orleans is of unlimited value to us; first by reason of the fact that where we make a sale of spot cotton for future

shipment to merchants or spinners, domestic or foreign, by purchasing "futures" as a hedge, this hedge to be held until we can buy in the actual spot cotton for shipment, then closing out our future hedge; secondly, where our farmer and merchant friends are daily offering us "spot cotton" for sale we are able to purchase their offerings even without actual "spot" orders and sell "futures" in either New York or New Orleans as a hedge, keeping this "futures" hedge until the actual "spot cotton" has been sold to domestic mills or foreign buyers. Therefore without the means of the "futures" market as a hedge against purchases and sales of spot cotton it would be practically impossible to carry on a cotton business successfully.

This means of protection is not only for ourselves, but also for our banking friends who are kind enough to advance payment against cotton purchased and is also a protection to the domestic mills or foreign buyers to whom we sell forward shipments.

Yours very truly,

Bush & Witherspoon Co.

FELIX P. BATH & CO.

Cotton Merchants

Houston, Texas
Oklahoma City, Okla.

Fort Worth, Texas, March 24, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: In our judgment, the advantages of the protection to cover purchases of Spot-Cotton immediately they are made, as vice versa of sales, against even only ordinary fluctuations as absolutely afforded under the present system prevalent on the New York and New Orleans Cotton Exchanges, are of inestimable value and to legitimate operators of spot-cotton like ourselves, practically the mainstay of the business.

We cannot conceive and do not contemplate any other course and effect to follow, should the present system of trading on the Cotton Exchanges be abolished, or so hampered by being unduly controlled, than to hinder and perhaps neutralize the facilities it now affords to legitimate Spot-Cotton operators, to conformingly minimize the latters' ranks and thus eliminate so much valued competition, and then to materially reduce the basis of value of the fibre to the producer, the latter, obviously, a condition sine qua non. In addition, it must and will tend to extend the

line of speculatively inclined Spinners, if not create a fresh order of speculators among them, as also among the producers, so hazardous to their welfare.

Only as a result of the facilities of this absolute protection against fluctuations, which the present system of operating on the Exchanges, as above indicated, so freely affords, the very large crops of cotton may and are now being marketed by the planters, pretty much in their entirety, without the least cost to them for an allowance of a margin that would certainly be involved to cover likely fluctuations, to which all such commodities are more or less subjected.

We trust the misapprehension, in which the situation is being so unduly viewed, may be cleared away in good time and without damage,

Yours very truly,

FELIX P. BATH & Co.

MORTIMORE & CO.

COTTON

GREENVILLE, TEXAS, March 30, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your favor of the 27th inst., respecting the use of "futures" in New York and at New Orleans, we would say that we hardly know how the Cotton business could be safely handled without them. Certainly were they abolished we should cover instead in Liverpool.

If the law in some way prevented us from covering, the only recourse we should have would be to buy with a larger margin to allow for the added risks. At present the trade knows that it can hedge itself at a moment's notice and buys on that basis. If it knows that it cannot so hedge then it will have to buy cheaper to protect itself against loss. Small concerns also would be put out of business, as banks would consider the cotton business too speculative with the opportunity to hedge in part done away with. They would thus require a larger margin per bale. Many firms could not give this margin, and competition would be reduced at very considerable loss to the farmer.

Yours very truly,

MORTIMORE & Co.

WILD & ORME

PARIS, TEXAS and MEMPHIS, TENN.

PARIS, TEXAS, March 28, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your favor of the 25th inst., in which you ask us if the facilities for buying and selling cotton for future delivery on the New York and New Orleans Cotton Exchanges are of service in our business. We would say that they are under our present system of doing business absolutely necessary to protect us against loss. If we could not cover our sales to spinners for future delivery with contracts on the New York or New Orleans Cotton Exchanges, it would change our method of doing business entirely and force us to figure on a much larger margin for profits than we now do. As we conduct our business at present we can afford to handle cotton on a small margin, that is of course, from the reason that we can buy "futures" at the same time that we sell the cotton, thereby guaranteeing our profit.

If these facilities for hedging sales of spot cotton on the New York and New Orleans Cotton Exchanges are done away with, necessarily we would have to buy Cotton much cheaper, and then not be sure that we were amply protected, and that necessarily would mean a much lower price to the producer.

Yours very truly,

WILD & ORME.

F. G. SMITH & CO.

Cable address "Fieldsmith."

COTTON COMMISSION

OF AUSTIN, TEXAS SHREVEPORT, LA.

AUSTIN, TEXAS, March 13, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We beg to say that we do not know how the forward business could be done in spot cotton without the "futures" markets to hedge in, for it would be a rank gamble on the part of southern shippers to sell forward deliveries without being able to buy "futures" in the American markets to protect themselves. The worst feature we see in doing away with the "futures" markets would be that buyers of spot cotton in the South would not be granted accommodation by the banks, unless they were in a position to show to the banks that they could sell

"futures" against their "overs" or long cotton. Now, the business may in some way be done without "futures" as a protection, but we believe that a majority of the houses that have tried to do business without "futures" protection have either gone to the wall, or they are practically broke, for we know that it is a hard matter to get a fair return on the money invested, even with the "futures" protection. As far as we are concerned, we would not attempt to do any forward business at all, unless we had the "futures" protection.

Yours very truly,
F. G. Smith & Co.

H. KEMPNER

Established in 1868

Cotton and Banking

Galveston, Texas, April 22, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We are in receipt of yours of the 18th. The facilities for buying and selling cotton for future delivery on the New York and New Orleans Cotton Exchanges are of decided service to us, as a protection against advances or declines in prices before we secure the actual spot cotton, which we may sell for deferred delivery, and also as a hedge against cotton, which we have purchased in anticipation of orders.

The abolition of such facilities or concentrating them in the foreign markets, such as Liverpool and Havre, would be a menace to the entire cotton trade of this country, and, in our opinion, permit cotton to be controlled by a trust or aggregation of capital as thoroughly as oil, packing house products, sugar, etc., are to-day.

Yours truly,
H. Kempner.

WELD-NEVILLE COTTON COMPANY

(Incorporated) Capital, $100,000.

Houston, Texas, April 18, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Replying to your letter of April 11th, we would state that the facilities for buying and selling cotton "futures" are of very great service to us in our business.

We are obliged to use the purchase and sale of "futures" as a hedge (protection) and they enable us to be in the market every day and at all times for cotton. Were we to depend entirely on demand from spinners for cotton, we fear we should have to do a very much smaller business, and work on a much larger margin of profit than is now the case. Besides we should likely not be in the market a great deal of the time, as we certainly would not buy cotton unless we had a place for it.

Yours very truly,

A C. CAIRNS,

Vice-Pres't.

ROBARDS COTTON CO.

SAN ANTONIO, TEXAS, April 17, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Your favor of 11th inst. is received.

We beg to say that we regard the facilities afforded by the New York and New Orleans Cotton Exchanges, for "hedging" cotton either in stock or sold for forward shipment, as indispensable to any prudent person or firm engaged in the spot cotton business. Liverpool would give no adequate relief in that line, as that market is open only about an hour of our business day, and if there were no American "Futures" markets, prices would be subject to violent and dangerous fluctuations.

Very truly yours,

ROBARDS COTTON CO.

W. C. ROBARDS, President.

F. C. OLDS & COMPANY

COTTON

ABILENE, TEXAS, March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We beg to advise that we hardly see how we could get along without the Cotton Exchanges of New York and New Orleans to hedge (protect) our spot cotton transactions in.

Yours very truly,

F. C. OLDS & COMPANY.

COPY OF TELEGRAM SENT TO HON. JOSEPH W. BAILEY AND HON. C. A. CULBERSON, UNITED STATES SENATORS FROM TEXAS, BY THE GAINESVILLE (TEX.) COTTON EXCHANGE ON FEBRUARY 15, 1911

We are informed that the Scott Anti-Option Bill, that eliminates hedging on New York and New Orleans Cotton Exchanges, will possibly pass the Senate. We think this bill is against the interest of the cotton men of the South, both farmers and buyers, and will leave the regulation of prices largely to mills and the Liverpool Cotton Exchange.

(Signed)

E. D. McCaa	W. V. Hancock	H. Perdue
R. T. Moodie	L. C. Shegogg	R. J. Timmis
C. J. O'Neal	J. B. Hill	C. Guy Dukinfield
T. L. Liddell	J. P. Critz	Keel & Son
F. C. Cooper	I. Beasley	R. S. Rose
H. E. Wilson	Val. Peers	Lloyd Bowers
S. Zacharias	S. F. Zacharias	

Members of Gainesville Cotton Exchange.

WILSON & MOODIE

COTTON

Gainesville, Texas, April 6, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Your letter of the 3rd inst. to hand. The ability to use the services of the New York and New Orleans Cotton Exchanges is of great benefit to us in order to safeguard our business and minimize our risk. We buy "futures" for the purpose of protecting us against loss on sales we may make for deferred shipments, and sell "futures" to protect us against loss on cotton we may have on hand. The absence of such facilities for hedging would render our business hazardous in the extreme and were Liverpool the only hedge market open to us we think our risk would be increased.

Yours truly,

Wilson & Moodie.

E. S. FLINT & CO.
COTTON
GALVESTON, TEXAS, April 29, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your recent communication, will say that the "covers" afforded us by the "futures" markets of both New Orleans and New York are of the greatest protection and service to us in the operation of our spot cotton business. In fact, as the business is conducted to-day such protection is practically indispensable.

Yours very truly,
E. S. FLINT & Co.

MÜLLER & CO.
COTTON EXPORTERS
GALVESTON, TEXAS, April 26, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We have your favor of the 18th inst., and in reply beg to say that the facilities for buying and selling "cotton futures" on the New York and New Orleans Cotton Exchanges are of incalculable service in our business. Modern business methods make the "futures" contract markets an absolute necessity, they being the only protection we have against an advance in prices when we have to make sales for forward shipments before being able to secure the actual cotton and again against cotton we have to buy in anticipation of orders. Without a chance of "hedging" (protecting) purchases or sales by "futures" contracts, spot cotton business would be impossible.

Yours very truly,
MÜLLER & Co.

THE EUSTACE TAYLOR COTTON COMPANY
GALVESTON, TEXAS, April 24, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Yours of the 18th inst. received, and in reply would state that all prices for buying or selling cotton are on the basis of "futures." Therefore the New York and New Orleans markets for "cotton futures" are essential to such transactions.

Yours truly,
EUSTACE TAYLOR, *Pres't and Mgr.*

JAS. S. PATTESON & CO.

Cable address "Patteson."

COTTON

MEMPHIS, TENN., March 11, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your inquiry of 8th inst., will say that we could not conduct our business without the aid of the New York Cotton Exchange, as we hedge all of our transactions immediately. It would be impossible for us to make any forward sales of spot cotton without the use of it.

Very truly yours,
JAS. S. PATTESON & Co.

F. M. CRUMP — D. H. CRUMP

F. M. CRUMP & CO.

COTTON

Branch Office,
CRUMP & BRITTON,
HELENA, ARK.

Cable Address,
"Millington."

14 SO. FRONT STREET

MEMPHIS, U. S. A., March 23, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your favor of the 21st inst., the facilities for buying and selling cotton for future delivery on the Cotton Exchanges of New York and New Orleans are not only a great protection to us in the necessary conduct of our business along legitimate lines but, in our opinion, are absolutely necessary to the safe conduct of the cotton business. If these facilities were denied us it would mean a complete revolution in the methods of handling the cotton business and we think that the absence of these facilities would work a hardship on every one connected with the cotton business including the cotton grower.

Yours very truly,
F. M. CRUMP & Co.

COATE BROS.

MEMPHIS, TENN. GALVESTON, TEX.
NEW ORLEANS, LA. FT. WORTH, TEX.

COTTON AND COTTON SEED PRODUCTS

12 N. FRONT ST.

MEMPHIS, TENN., March 18, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your favor 8th inst.

We do almost exclusively a spot cotton, non-speculative business. This would be an impossibility if there were no future delivery business in either New Orleans, New York or Liverpool. Without "futures," even if willing to go into the speculation of buying spot cotton when we considered it cheap and selling it when we considered it dear, we must reduce our business to very small proportions, or obtain very much larger capital. We could still continue our small mill order business, but we find these orders come at the same time as orders to all other cotton men. If, to avoid speculation, we were obliged to buy immediately on receipt of the order in competition with other buyers, there would be much more violent fluctuations than there are now in small manipulated crop seasons. We make our profits by buying cotton when mills are not in the market, hedging it with "futures" and waiting for the demand to spring up. In other words, when cotton is cheap relative to "futures," and other conditions—such as carrying premiums—are right, we buy and hold until spot cotton advances relative to "futures." We may have poor business judgment and buy at the wrong time, but our loss is relatively small, consequently bankers consider us a good risk and give us a credit far in excess of what they would give were we buying timber, dry goods, sugar, rice, etc. The advantage of doing this large business over investing in a small amount of cotton for a speculative rise, is that we are able to buy all various grades and staples as they come from the plantation. We class this out into even running lots of one grade and one staple, and sell any mill just the grade which suits it best. It is the existence of firms doing this same business which enables any farmer, to sell any style of cotton, on any day of the year, for cash. We are the balance wheel which forces the speculator to carry the stock of the world if he bids too high, or forces the speculator to deliver actual cotton against his contracts if he sells too low.

As long as the world exists some men will speculate. They

will buy land, flour, provisions, cotton or anything when they think it cheap, and will sell when they think it dear. The present system of "futures" contracts utilizes this speculation, and puts it in a form which can be utilized to protect the expert and allow him without danger of serious loss, to concentrate commodities and sell the consumer just the grade of goods he requires. Let the average mill try dealing direct with the average farmer, taking his total crop, or even let the average mill buy gin run from the ginners and he will soon call out for a middle man to take what the mill cannot use. If the middle man only handles a few hundred bales in a year, he can do little better for the mill than the farmer or the ginner. But if by hedging his purchases he receives a large credit from the banks, he is enabled to carry large quantities of cotton, deal with large number of mills, and supply each with the exact style required. There are many firms with small capital which receive large credits from London banks, because they undertake to keep all their cotton strictly covered with "futures." The time has come when American banks are demanding the same protection.

Three quarters of our business would not exist if the "futures" markets were stopped, we therefore reply that the opportunity to buy and sell cotton for future delivery on the Cotton Exchanges of New York and New Orleans is of vital service in our business.

Yours truly,
COATE BROS.

COPY OF LETTER SENT TO HON. JOSEPH W. BAILEY AND HON. C. A. CULBERSON, UNITED STATES SENATORS FROM TEXAS, AND TO HON. R. L. HENRY, MEMBER OF UNITED STATES HOUSE OF REPRESENTATIVES FROM TEXAS.

(Printed by permission of Bush & Witherspoon Co.)

WACO, TEXAS, March 18, 1911.

DEAR SIR: We are positive that you have been informed by many others as to the great disaster that would be brought upon the Southern merchants, planters, bankers, and cotton men with the passage of the Scott Anti-Option Bill.

Any such Bill as outlined would mean untold loss to the planters, as the price of this commodity would be dictated by Europe solely, and the farmers would receive such a price as the

spinners cared to pay. The merchants on the other hand would be forced to hesitate in making advancements or in advancing supplies to their customers, knowing the cotton would be sold only at a cheap price. The bankers would hesitate to lend their money and would not advance payment for cotton as is now the case, realizing that those who purchase cotton would have no means of protection without the "futures" market. The buyer could not protect himself and the banker is not in the position of advancing money without protection.

We, like all cotton men of the South and elsewhere, would be without protection on our spot purchases, being unable to sell "futures" against them or unable to purchase "futures" against sales of spot cotton. Therefore for the good of all concerned we respectfully request and urge upon you to use your efforts in defeating any such anti-option bill.

Yours very truly,
BUSH & WITHERSPOON CO.

FORT WORTH GRAIN AND COTTON EXCHANGE

FORT WORTH, TEXAS

Copy of telegram sent to Hon. Jos. W. Bailey and Hon. C. A. Culberson, United States Senators from Texas, on February 15, 1911

(Printed by permission of Mr. Felix P. Bath)

It is the sense of the members of the Forth Worth Grain and Cotton Exchange after considerable deliberation of the Scott Anti-Option Bill now under consideration of Committee on Inter-State Commerce, that its features are greatly detrimental and inimical to the cotton producers of the South and conformingly to our interests generally. We urgently request that you give this serious consideration and protest against it as a measure. If ever enacted into a law it can only tend to centralize the business of dealing in these commodities to a very few European combinations.

(signed) FORT WORTH GRAIN & COTTON EXCHANGE.
M. E. BERNEY,
TOM B. OWENS,
FELIX P. BATH,
JULIAN A. IVY.
Committee.

W. C. CRAIG & CO.

COTTON BUYERS

VICKSBURG, MISS., March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We have your favor of the 7th inst., asking whether the opportunity to buy and sell cotton for future delivery on the Cotton Exchanges of New York and New Orleans is of service in our business as a protection against an advance in price in the event of our making sales for shipment several months in the future. In reply we have to say that the opportunity to buy and sell for future delivery on the Exchanges, as described by you, is of the very greatest value to us and is frequently used and that we should have to adopt different methods of business if the opportunity to hedge in this manner were taken away. Without the "futures" market we could buy spot cotton safely only on days when we had a firm offer from a spinner and we could sell spot cotton to a spinner only when we happened to own that particular quality or when we knew exactly where and at what price we could immediately buy that particular quality.

Yours very truly,

W. C. CRAIG & CO.

MEMBERS NEW ORLEANS COTTON EXCHANGE
ASSOCIATE MEMBERS LIVERPOOL COTTON ASSOCIATION

W. J. DAVIS & CO.

COTTON MERCHANTS

Cable address "Davisco."

JACKSON, MISS., U. S. A., March 29, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your valued favor of the 24th inst., requesting that we write you if the facilities for buying and selling cotton for future delivery are of service in our business as a protection against the advance in price, where cotton is sold for later shipment:

Beg to advise that without the "futures" market, we would absolutely be prohibited from doing any forward business whatever. In fact, without the "futures" market, our business would be restricted to the extent simply of executing orders for prompt shipment for our friends.

We regard the "futures" business as handled on the New Orleans and New York Exchanges, the result of an intelligent effort of many years' study, and while of course we realize some abuses prevalent, yet we cannot understand how a system which is so complete as this system is at present should be torn to pieces and the trade lapse back into primitive methods of handling the cotton crop.

Yours very truly,

W. J. Davis & Co.

Members New Orleans Cotton Exchange

EUGENE H. CARTER ERNEST L. CARTER

E. H. & E. L. CARTER

Cable address "Eugene."

Mississippi and Alabama Cotton

Meridian, Miss., March 28, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: In the carrying on of our business, we find it absolutely necessary to make constant use of the "futures" markets on the New Orleans and New York Cotton Exchanges in hedging our purchases and sales of actual cotton. Without this protection against the fluctuations in the market, we do not see how we could carry on our business, except in a very limited and primitive way. In selling to the cotton mills for shipments at a stipulated time in the future, or shipment during a series of months, unless we could buy "futures" with which to protect ourselves, we could not make such sales to the cotton mills, and the cotton mills could not sell their product for forward deliveries, unless they could, in turn, protect themselves by the purchase of actual cotton from some cotton shipper or dealer like ourselves.

We sincerely trust that the extra session of Congress will not pass any legislation which will upset or interfere with the cotton exchanges or the present system of doing business. We believe it would be disastrous to the South and to the cotton trade in general.

Very truly yours,

E. H. & E. L. Carter.

THREEFOOT BROTHERS & COMPANY

COTTON BUYERS AND EXPORTERS

Cable address "Threefoot."

MERIDIAN, MISS., March 27, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We beg to say that the facilities for buying and selling cotton for future delivery on the New York and New Orleans Exchanges are almost an absolute necessity in our business, or, in fact, any business connected with the handling of cotton as the cotton business of the world is now conducted. We find the contracts for future delivery a protection to us not only against an advance in price, if cotton has been sold for forward shipment, but also a protection against decline in price when we have bought cotton which we are unable to dispose of profitably at the moment.

Yours very truly,
THREEFOOT BROS. & COMPANY.

M. C. HUMPHREY W. R. HUMPHREY

HUMPHREY & CO.

COTTON, BENDERS AND EXTRA STAPLES

Branch Offices:

Indianola, Miss.	Rosedale, Miss.
Clarksdale, Miss.	Itta Bena, Miss.
Greenville, Miss.	Charleston, Miss.
Canton, Miss.	Yazoo City, Miss.

Memphis, Tenn.

GREENWOOD, MISS., March 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We consider the privilege of buying or selling contracts on the Cotton Exchanges of New York and New Orleans as an absolute necessity when doing a legitimate spot cotton business, using these contracts as a hedge (protection) against spot contracts with the mills.

Yours very truly,
HUMPHREY & CO.

COPY OF TELEGRAM SENT BY MEMPHIS COTTON EXCHANGE AND MEMPHIS MERCHANTS' EXCHANGE TO HON. ROBERT L. TAYLOR, UNITED STATES SENATOR FROM TENNESSEE

MEMPHIS, TENN., February 14, 1911.

The commercial interests of Tennessee, more especially the cotton and grain Exchanges of Memphis, view with much alarm the bill pending in the Interstate Commerce Committee looking to the abolishing of "futures" dealing in the New York and New Orleans Cotton Exchanges, and urgently request that as a member of the committee before which this measure will come up on Friday, you use your best efforts to prevent its recommendation and passage. The passage of such a bill would work disaster to the cotton and grain interests of Memphis and would render useless the new million dollar building we have just completed for a home for these two Exchanges. The elimination of the "futures" business in the United States would simply tend to transfer the necessary hedging transactions to Liverpool and enable the foreigners to fix the price for the South's greatest product. The passage of the bill would cause a disastrous revolution to the trade and leave the cotton growers in the hands of the manufacturers at home and abroad by eliminating buying competition, which is only made possible by the use of the New York and New Orleans Exchanges for hedging purposes. A bill along similar lines was killed before the Judiciary and Agricultural committees and in the open Senate in Nashville last week by a decisive vote, showing that there is no demand by the people of this State for such legislation.

We trust that as our representative you will give the business interests of your State the consideration due them and vote against this bill in committee on Friday.

We sign this in behalf of the officers and entire membership of both the Cotton and Merchants' Exchanges.

JNO. SNEED WILLIAMS,
President Memphis Cotton Exchange.

JAS. B. SLOAN,
President Memphis Merchants' Exchange.

Branch Offices: Clarksdale, Miss. Ardmore, Okla. Newport, Ark.

WOOTEN & HORNOR

HELENA, ARK., April 5, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: You ask, in your letter of 3d inst., if the facilities afforded by the New York and New Orleans Cotton Exchanges are of service to us in the legitimate protection of our trades in actual cotton; we reply in the affirmative, most assuredly.

We do not see how our business could be conducted with any degree of safety without such protection. Otherwise every sale of spot cotton for future delivery to a mill, or every purchase of spot cotton from a farmer or factor without an order in hand from a mill, would be rank speculation, and we should thereby incur a greater hazard than we could afford to take.

Moreover, the "futures" markets often afford an outlet for cotton at more money than spinners are willing to pay, and we are even now contemplating delivering a quantity of our cotton in New York, as we are unable to dispose of it to spinners at all.

Yours very truly,

WOOTEN & HORNOR.

Cable Address: HENRIETTA.

S. C. ALEXANDER COTTON CO.

PINE BLUFF, ARK., March 11, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your letter of March 7th with inquiry as to whether or not the opportunity to buy and sell cotton for future delivery on the Exchanges of New York and New Orleans is of service in our business, will say that it is often of great service to us, as otherwise our operations would often be very much curtailed. It also often allows us to buy cotton from our farmer friends to be delivered as the season advances at prices satisfactory to them, which otherwise we could not do.

Our experience in this matter, of course, is the same as most other buyers in our market.

Yours truly,

S. C. ALEXANDER COTTON CO.

L. P. BARKDULL & CO.
COTTON BUYERS

FORT SMITH, ARK., March 24, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We practically do all of our spot cotton business based on contracts in New York or New Orleans.

Very often the case is, we have inquiry for cotton for shipment several months later; then again we may buy cotton that we have no order for, and of course the risk would be too great in either case if we did not use "futures" contracts of either one of the Exchanges. In fact, we use "futures" contracts to keep from speculating, and it would seem almost impossible to do business unless we had the privilege of protecting ourselves in either one of these Exchanges.

There are some changes that should be made in the New York Cotton Exchange rules, and when this is done we do not see how any one could object to the method of doing business.

If the Scott Anti-Option Bill is passed we would have to handle cotton under the old method, which would be at a greater risk; therefore we would have to have greater profits, and it would have to come out of the pockets of the farmers.

Yours very truly,
L. P. BARKDULL & CO.

COPY OF TELEGRAM SENT BY THE AUGUSTA (GA.) COTTON EXCHANGE, THROUGH ITS COMMITTEE, ON FEBRUARY 14, 1911, TO THE U. S. SENATORS AND MEMBERS OF THE HOUSE OF REPRESENTATIVES FROM THE STATE OF GEORGIA

(Printed by permission of the Cotton Exchange)

At a special meeting of Augusta Cotton Exchange and Board of Trade held to-day a resolution was passed protesting against the passage of the Scott Anti-Option Bill, because without the use of protecting markets as a hedge, mills, exporters and farmers would be at a great disadvantage, which would seriously interfere with the financing of the South's greatest crop. Please use your best influence to defeat this bill.

FRANK BARRETT   L. G. DOUGHTY
J. S. HALL   E. F. VERDERY
R. C. NEELY   Committee.

Cable Address: "Inmanakers."

INMAN, AKERS & INMAN

Atlanta, Ga., March 11, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We find it very necessary to use the New York and New Orleans Cotton Exchanges in our regular business by buying and selling future contracts in these markets to protect ourselves when making sales of cotton to mills and dealers for deferred shipment, and to prevent losses to us by price changes. If in July or August, say, we sell a mill one thousand bales of cotton to be delivered them in October, we buy "futures" contracts in New Orleans or New York as a protection against an advance in price. This, of course, is customary with all legitimate cotton firms, and we hardly see how the cotton business, or, for that matter, the cotton spinning business, could be carried on without these facilities, as the risk involved, without such protection, would be entirely too great for conservative legitimate concerns to undertake.

Yours truly,
Inman, Akers & Inman.

LETTER SENT BY MESSRS. INMAN, AKERS & INMAN, OF ATLANTA, GA., TO U. S. SENATORS A. O. BACON AND J. M. TERRELL, OF GEORGIA

(Printed by permission of Messrs. Inman, Akers & Inman)

Atlanta, Ga., March 17, 1911.

Dear Sir: Referring to the Scott Bill directed against the Cotton Exchanges, with which you are doubtless familiar. We consider that the passage of this bill would have a very disastrous effect upon all Southern interests, upon the cotton merchant, upon the cotton mill, upon the cotton farmer, and through the farmer, upon all other business interests of the South.

There are doubtless some evils in the present method of marketing the cotton crop and of the Exchanges used in the furtherance of that purpose, but the abolition of these Exchanges would work far more injury to the South than those which may now exist. All products of world consumption need markets where buyer and seller can trade and make and find a ready

market. Should these open marts or Exchanges be abolished, it would be much more difficult for buyer and seller to find each other, and cotton would no longer be such a liquid asset as at present.

Dealers in cotton goods must place their orders with cotton mills for delivery many months ahead, in order that the required goods may be woven, go through the various processes of manufacture, pass through the hands of converters, jobbers, wholesalers and retailers, to the consumer. Cotton mills sell their product for many months in advance, and in order to avoid speculation and chances of loss by cotton advancing in value before they are ready to actually receive delivery of the cotton and pay for it, they buy cotton sufficient to cover their requirements from cotton merchants, to be delivered at periods needed. The cotton merchant, to avoid speculation and risk of loss by cotton advancing, buys contracts for forward delivery in the central marts or cotton Exchanges. The mills therefore protect themselves, and the cotton merchant protects himself against fluctuation in value.

For instance, suppose the Exposition Cotton Mills in Atlanta sell a lot of goods to be made next October, and buy one thousand bales of cotton from us to be delivered them next October to protect themselves against their sale of goods. We, as a matter of protection, will buy on the New York, New Orleans or Liverpool Cotton Exchanges one thousand bales of cotton to be delivered us in those markets next October. We do not really wish the cotton delivered us in New York, New Orleans or Liverpool, and do not expect to accept delivery, although we could do so if we wished. We are really buying these contracts as a protection. Next October, when the cotton is moving freely, we would buy the one thousand bales of spot cotton and deliver same to the Exposition Cotton Mills, at the same time selling our contracts for one thousand bales of cotton of October delivery in New York, New Orleans or Liverpool to some one who could better use the cotton in those markets than we could. We would have attained our object, which was protection in the ordinary course of our business of transferring cotton from producer to consumer.

The above is the regular, conservative method of business. Should these Exchanges be abolished, any mill which sold its goods to be made up months ahead would take heavy chances of loss, because they could not buy cotton from any one to be delivered at the required dates. The merchant would not sell because

he could not take such risk, and would have no means of protection.

There are many farmers who, when the value of cotton in the spring and summer for fall delivery is at such a figure as to give them a fair profit above the cost of production, sell part of their expected production to be delivered in the fall, thus guaranteeing themselves a profit on their planting instead of taking the risk of cotton dropping to low figures later in the fall, when there is heavy movement. With the Exchanges abolished, however, they would be unable to sell in this way, because the merchant would not have a quick market where he could sell for protection against any purchases he might make from farmers, fertilizer dealers, etc.

With the abolition of these central marts the entire present system and fabric of cotton merchandise, cotton manufacturing and cotton goods marketing would be overturned, and all of this business, being deprived of protective covers or hedges, would be put upon a very speculative and dangerous basis.

The cotton business of the world is too big a thing, and the business prosperity of the South too closely interwoven with it, for any legislation overturning the present system to be enacted without most careful and unprejudiced thought, uninfluenced by the ignorant demands of many who know absolutely nothing about the complications and complexities of modern business and the bad effects of hurried or ill-advised legislation.

Yours very truly,

INMAN, AKERS & INMAN.

J. N. KING, *Pres. and Mgr.* J. P. COOPER, *Vice-Pres.*
C. W. KING, *Sec. and Treas.*

THE HOWEL COTTON COMPANY OF GEORGIA

ROME, GA., March 13, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We find the "futures" contract market absolutely indispensable to us in the handling of cotton for forward delivery. If we were unable to use the contract market to hedge ourselves, it would be quite impossible for us to sell for delivery in the future actual spot cotton without indulging in rank speculation.

Yours truly,

HOWEL COTTON CO. OF GEORGIA.

Cable Address "Ford"

B. B. FORD & CO.

Macon, Ga., March 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Replying to your questions regarding the "futures" contract market, we beg to say that we find it necessary to use the "futures" markets in New Orleans, New York and Liverpool in order to protect our sales and purchases of spot cotton. To abolish the "futures" system would, in our opinion, be a serious blow to all interested in the cotton trade, as well as to the producers of cotton.

Yours very truly,
B. B. Ford & Co.

L. G. DOUGHTY H. H. ELLISON

Cable Address "Lyndough"

L. G. DOUGHTY & COMPANY

COTTON

Augusta, Ga., March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We beg to advise that we consider the New York Cotton Exchange to be a worthy adjunct to our business. For the past ten years we have been shipping 50,000 bales per year, and sell such cotton to our friends abroad as well as in this country. We sell the cotton for forward delivery, and we could not enter into transactions of this kind unless we had the opportunity of protecting ourselves by the purchase of "futures" in New York.

It is not to our interest to buy our "futures" in Liverpool, as the expense incident to such a transaction is too heavy, consequently we use the New York market almost entirely. It is frequently the case that the difference between spot cotton in the South and the prices of "futures" in New York warrants us in buying up a stock and selling "futures" against it, to be disposed of at a subsequent time. We avail of this opportunity every year and we find it a very profitable business, and which we could not do unless we had the opportunity of using the New York market.

We would feel very sorry to see the Scott Bill become a law. We think that it would be extremely detrimental to our interests, and put us back to where we originally started, without ability

to do business except for immediate and prompt shipment. We are also afraid that our friends in the South do not appreciate the magnitude of this thing.

We are doing everything in our small way to bring influence to bear on the representatives from our section to cast their votes against this bill, which we consider a menace to the commercial interests of our section. Yours truly,

L. G. Doughty & Company.

NEW ORLEANS, LA. SAVANNAH, GA.

Cables, "Esteve"

ESTEVE BROTHERS & CO.

Savannah, Ga., April 13, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Replying to yours of the 11th inst. concerning transactions in "cotton futures" on the New York and New Orleans Exchanges, we write to say that these "futures" markets are of inestimable service to us, especially just now when we are selling new crop cotton, which has not yet been planted.

Yours very truly,

Esteve Brothers & Co.

E. BORNEMANN & CO.

Savannah, Ga., April 14, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We beg to state that in all transactions we use New York and New Orleans Cotton Exchanges as a hedge, either as a protection against our forward sales to mills when not being able at the time to secure the cotton or against purchase of cotton which we have bought in anticipation of demand from our mill customers.

We consider the "futures" Exchanges a legitimate hedge and a protection which every house doing a legitimate business must absolutely have. As the cotton business requires a big turn over, it is impossible to buy or sell all the actual cotton at the same time, and therefore a protection against the big fluctuations in price must exist. For this reason we consider "futures" Exchanges not only a convenience, but an absolute necessity for legitimate trading. Yours very truly,

E. Bornemann & Co.

KAROW & FORRER

SAVANNAH, GA.

SAVANNAH, GA., April 17, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your letter of the 14th inst., we beg to inform you that the facilities for buying and selling "cotton futures" on the New York and New Orleans Cotton Exchanges are indispensable to our business.

Yours truly,
KAROW & FORRER.

F. FONTANILLS & CO.

COTTON

SAVANNAH, GA., April 13, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your favor of the 11th inst., "futures" transactions on the New Orleans and New York Cotton Exchanges are of great value to us as a protection to our spot transactions. We feel that if we did not have the advantage of such protection our business would be very seriously handicapped.

Yours very truly,
F. FONTANILLS & CO.

RESOLUTIONS PASSED BY THE MACON, GEORGIA, COTTON EXCHANGE, APRIL 10, 1911

(Printed by permission of Macon Cotton Exchange)

At a meeting of the Macon Cotton Exchange on April 10, 1911, the following resolution was unanimously adopted:

WHEREAS, There is now pending before Congress certain legislation looking to the abolishment of the present system of trading in "futures" on the New York and New Orleans Cotton Exchanges; be it

Resolved, That the proposed legislation and the continued agitation of the subject is, in our opinion, exceedingly detrimental to the interests of all concerned. It is harmful to the spinner and cotton merchant in so far as it affects the value of the "hedge" feature of his business. It is still more injurious to the

cotton grower in that it necessarily restricts the number of purchasers of his product; moreover, it would leave the regulation of prices largely in the hands of those whose interest it is to depress them. We realize that certain changes in the present form of contracts can and ought to be made, which would render them more valuable to the actual consumer, and, at the same time, less liable to abuse by the speculative element. The required changes, however, we believe can be safely entrusted to the integrity and intelligence of the several Exchanges, whose members are thoroughly conversant with business conditions and requirements.

C. COCHRANE & CO.

AUGUSTA, GA., March 30, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: At times we find both the New York and New Orleans "futures" markets of great service in hedging (protecting) our business.

Yours truly,
C. COCHRANE & CO.

BENJ. RHETT & CO.

MOBILE, ALA., March 27, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your favor of the 24th inst. and the query therein propounded as to the service of the "futures" markets in our business.

We have no hesitancy in saying that the facilities for buying and selling cotton for future delivery on the Cotton Exchanges of New York and New Orleans are not only of very great service in our business (but are practically a necessity) as a means of protection to us against loss arising from advance in price before we can secure the spot cotton which we may have previously sold for shipment or delivery several months ahead. Also from loss arising from a decline in price before we can dispose of spot cotton which we may have on hand, either in the shape of "overs" or of stock to meet anticipated demand.

Yours very truly,
BENJ. RHETT & CO.

H. G. GRIMLEY

COTTON

MOBILE, ALA., March 11, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: I cannot too strongly express my opinion that being able to buy and sell cotton for future delivery on the Cotton Exchanges of New York and New Orleans is of the greatest use and safety in conducting spot business, and it would be a national calamity, especially to the South, including buyer and planter, if the Exchanges were to be abolished.

Yours very truly,
H. G. GRIMLEY.

LEHMAN, WEIL & CO.

COTTON MERCHANTS

MONTGOMERY, ALA., March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In answer to your question regarding the purchase and sale of cotton "futures," we beg to advise that at the present writing we do not understand what methods could be substituted by a conservative cotton firm in the South to avoid speculation. We consider the New York and New Orleans Cotton Exchanges an absolute necessity in connection with a legitimate spot cotton business, as they furnish us with the only market where we can buy or sell against purchases or sales at a moment's notice for protection.

Yours truly,
LEHMAN, WEIL & CO.

E. MARTIN & CO.

COTTON BUYERS

NEW ORLEANS, LA., April 8, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Owing to the manner in which the cotton business is now done the facilities for buying and selling cotton for future delivery on the Cotton Exchanges of New York and New Orleans have become of service and a necessity in the cotton buying business on orders from spinners in this country and for export.

Yours truly,
E. MARTIN & CO.

MORRIS HOHENBERG
Selma, Ala.

ADOLPHE HOHENBERG
Wetumpka, Ala.

Established in 1879

M. HOHENBERG & CO.

COTTON MERCHANTS

SELMA, ALA., March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We consider the opportunity of buying and selling "futures" on the New York and New Orleans Cotton Exchanges of great benefit to our business and to all dealers in spot cotton. Though conditions surrounding such operations are not as yet ideal, they are constantly being improved upon as experience and exigencies demand.

Very truly yours,
M. HOHENBERG & CO.

JOHN WILKIE & CO.

NEW ORLEANS, LA., April 6, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your letter, would say that while most of our business in the "futures" market is done in Liverpool, our business being with that market only, there can be no doubt that the buying and selling for future delivery on the Cotton Exchanges of New York and New Orleans is of the greatest service in the business generally, as a protection against an advance in price should a firm have sold cotton to arrive or against a decline in price, should a merchant, farmer or spinner hold rather larger stocks of cotton than he can sell or use up promptly. It seems to us that without a "futures" market there would be few merchants who would care to take the cotton off the hands of the producer as they do to-day, and as a consequence the position of the producer might become rather an uncomfortable one.

Yours very truly,
JOHN WILKIE & CO.

NEW ORLEANS, LA. SAVANNAH, GA.

Cable Address "Esteve"

ESTEVE BROTHERS & CO.

New Orleans, La., March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: In reply to your favor of March 7th, we beg to say that the opportunity to buy and sell cotton for future delivery on the Cotton Exchanges of New York and New Orleans are indeed of great service in our business as a hedge or protection against purchases or sales of spot cotton.

Yours truly,

Esteve Bros. & Co.

New Orleans, La. St. Joseph, La. Yazoo City, Miss.
Greenwood, Miss. Clarksdale, Miss. Greenville, Miss.
Vicksburg, Miss. Natchez, Miss. Gloster, Miss.

Cable Address "Stewbros"

STEWART BROS. COTTON CO.

STAPLES A SPECIALTY

New Orleans, La., March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Your favor of the 7th instant at hand.

In answering the same will say that the use of "futures" is absolutely necessary in carrying out the cotton buying and exporting business if it is to be done on a legitimate basis.

Yours truly,

Stewart Brothers Cotton Co.

SHREVEPORT, LA. NEW ORLEANS, LA.

A. J. INGERSOLL & CO.

Successors to C. H. Minge & Co.

COTTON

Shreveport, La., March 28, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: The use of "futures" contracts by the spot cotton buyer in the South, whose "long" interest during periods of inactivity will reach undue proportions, offers the only means of hedging (protecting) his purchases, thus keeping him in the market while his spot cotton accumulations are being marketed.

It goes without saying that the abolition of "futures" would

result in restricted business all along the line, leaving the producer to carry his product over dull periods or, by throwing it on the market, unduly depress its value.

Without the "futures" hedge the strong and astute spot cotton buyer would be encouraged to make forward sales, relying on dull periods, with reasonable certainty to cover his sales with a profit.

The producer, in our opinion, is the real beneficiary of the "futures" system.

Yours truly,
A. J. INGERSOLL & Co.

COPY OF TELEGRAM FROM SHREVEPORT, LA., CHAMBER OF COMMERCE, SENT TO THE U. S. SENATORS FROM LOUISIANA ON FEBRUARY 15, 1911

SHREVEPORT, LA., February 15, 1911.

The Chamber of Commerce, through its Cotton Committee, duly authorized, hereby protests against favorable action on the Scott Anti-Future Bill and urges rejection of the measure.

E. K. SMITH, *President.*

Boston Branch Office,
Oliver Building
JAMES SPRUNT
British Vice Consul
Imperial German Consul

Mobile Branch Office,
57 St. Francis Street
WILLIAM H. SPRUNT

ALEXANDER SPRUNT & SON
COTTON EXPORTERS
Established 1866

WILMINGTON, N. C., April 8, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your inquiry of April 4th, we have found the facilities for buying and selling cotton for future delivery on the Cotton Exchange of New York so important to us in hedging (protecting) our transactions in spot cotton that our junior partner, Mr. W. H. Sprunt, has become a member of the New York Cotton Exchange.

Yours faithfully,
ALEXANDER SPRUNT & SON.

SANDERS, ORR & CO.

COTTON

CHARLOTTE, N. C., March 23, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to yours of the 21st inst., we beg to say that we consider that the New York Cotton Exchange's facilities for "cotton futures" are indispensable to spot cotton dealers as a protection to them in making contracts with the mills for forward deliveries of spot cotton.

Yours truly,

SANDERS, ORR & Co.

Established 1885

PARKER BROS. & CO.

COTTON MERCHANTS AND BROKERS

RALEIGH, N. C., April 15, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In regard to buying and selling cotton for future delivery on the Cotton Exchanges of New York and New Orleans and as to whether this is of service to us in the buying and selling of spot cotton, we beg to say that at times we have found these Exchanges to be good protection and that we have used them to hedge (protect) our spot cotton transactions, being the only way in which we could hedge our cotton.

Yours very truly,

PARKER BROS. & Co.

Established New Bern, N. C., 1889

J. E. LATHAM

COTTON MERCHANT

GREENSBORO, N. C., March 23, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your letter of 21st inst., we beg to advise that we frequently buy cotton in both New York and New Orleans for future delivery in order to hedge (protect) our sales of spot cotton to mills.

Yours truly,

J. E. LATHAM.

A. H. BOYDEN E. R. OVERMAN T. G. WILLIAMSON

BOYDEN-OVERMAN CO.

COTTON MERCHANTS

SALISBURY, N. C., March 24, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

MY DEAR SIR: In response to your esteemed favor of March 21st I desire to say that in my opinion if it were not for New York and New Orleans Cotton Exchanges spot cotton would be selling for ten cents to-day. For instance, I am a cotton merchant handling ten or fifteen thousand bales of cotton per year, and there are thousands of men like myself scattered all through the South who are buying spot cotton. The receipts of spot cotton in October, November and December are greatly in excess of what we can sell, and in consequence we are compelled to carry something like two or three thousand bales of unsold cotton, and but for the New York "futures" market to protect ourselves, it would be such a hazardous risk that it would drive out all classes of men like myself, who help to keep up the market in our immediate section entirely out of business.

It is a great pity, in my opinion, that the farmers of the South cannot understand and appreciate this fact. It is the speculator that keeps up the cotton market, and always will be the case, and I trust that nothing drastic will pass Congress to interfere in this matter.

Yours truly,
A. H. BOYDEN.

CHAS. F. MIDDLETON, President GEO. E. HAZLEHURST, Sec'y and Treas.

FARMERS' AND SPINNERS' COTTON CO.

COTTON

CHARLESTON, S. C., April 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your favor of the 4th inst., I must say that handling "futures" as hedges against buying and selling cotton is absolutely necessary as a protection in our business.

Yours truly,
CHAS. F. MIDDLETON, *President.*

W. S. Griffin, *Pres. and Mgr.* J. P. Cooper, *Vice-Pres.*
L. A. Cothran, *Treasurer* C. W. Lively, *Secretary*

Offices

Greenville, S. C. Spartanburg, S. C. Charlotte, N. C. Toccoa, Ga.

COOPER & GRIFFIN (Inc.)

COTTON

Greenville, S. C., April 8, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We have your favor of the 6th instant.

In reply beg to say that the Cotton Exchanges of New York and New Orleans are invaluable to our business as a hedge (protection), both in buying and selling cotton. The basis business has controlled the trade for a number of years and will doubtless continue to do so. As a matter of fact, it is absolutely essential to have a proper clearing-house for cotton transactions. This is as needful to the cotton mill and farmer as to the cotton merchant, in our opinion. Furthermore, it would seriously affect the proper financing of the South's great product to have the Exchanges of this country eliminated.

Yours very truly,
W. S. Griffin,
Pres. and Mgr.

REID & COMPANY

Cable Address "Nodir"

Norfolk, Va., March 22, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We are in receipt of your letter of March 21st inquiring as to whether the facilities for buying and selling cotton for future delivery on the New York Exchange are of service in our business for protection against advances or declines in the market.

In reply, we beg to say that all of our business is based upon our ability to buy or sell contracts for future delivery simultaneously with the sale of cotton to be shipped to spinners or purchasers of cotton from the farmers or merchants.

Without this protection we would be able to do only a small

percentage of the volume of business we now do, and the margin of possible profit would have to be enormously increased to warrant us in taking the risk of advances or declines in the general market.

Yours truly,
REID & COMPANY.

COPY OF LETTER SENT ON APRIL 4, 1911, TO THE UNITED STATES SENATORS FROM MISSOURI BY MESSRS. R. F. PHILLIPS & CO., COTTON MERCHANTS OF ST. LOUIS

(Printed by Permission of Messrs. R. F. Phillips & Co.)

ST. LOUIS, April 4, 1911.

DEAR SIR: We understand the Scott Anti-Option Bill will again be brought up in your honorable body.

As handlers of spot cotton, we find business safeguarded by the use of "futures" as a protection against market fluctuations.

Some suggested improvements are contemplated in the form of contract, and we trust no legislative action condemning "futures" trading will be taken, as such would be a calamity to the producer as well as to the user of the "spot" article.

Yours respectfully,
R. F. PHILLIPS & CO.

TELEGRAM SENT ON FEBRUARY 15, 1911, BY THE NEW ENGLAND COTTON BUYERS' ASSOCIATION TO THE UNITED STATES SENATORS FROM MASSACHUSETTS

(Printed by permission of the Executive Committee of the Association)

BOSTON, MASS., February 15, 1911.

We trust you will use your influence against the Scott Anti-Option Bill. We believe it extremely harmful to all dealers in actual cotton and to all manufacturing interests.

NEW ENGLAND COTTON BUYERS' ASSOCIATION.
CHAS. N. BRUSH, *Secretary*.

NATH'L N. THAYER FRANK H. DEARING

BARRY, THAYER & CO.

30 Kilby Street,
Boston, Mass., March 8, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We are in receipt of your valued favor of 7th inst., and carefully note contents. The New York Cotton Exchange is of advantage to us in our business as a matter of protection, in the event of our making any sales for forward delivery. If we were prohibited from using the Exchanges, of course it would compel us to use the Liverpool market; or we should be unable to make sales for forward delivery unless we were willing to take the risk that we might be able to buy the cotton when due at the price at which it was sold; or unless we could buy it of some responsible party in the South. In our opinion, it would seriously affect the cotton business (at least temporarily) if cotton merchants were prohibited from making legitimate transactions on the Exchanges of this country.

Yours truly,
Barry, Thayer & Co.

W. F. HOOPER C. C. BUFFINTON

HOOPER & BUFFINTON

COTTON BUYERS

Fall River, Mass., April 3, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: The opportunity to hedge sales or purchases by buying or selling contracts in the cotton "futures" market is of the greatest possible importance to all parties dealing in actual cotton, and also to the mills. The latter may want to make a sale of goods to be made and delivered at some subsequent time and to cover such sale of goods by the purchase of cotton. It may not be possible at the moment for a cotton dealer to buy just the style of cotton that the mill wants, but he would sell the mill the cotton it wanted and buy cotton "futures" to hold until he could find and buy the cotton desired, when such cotton would be bought in the South and the cotton "futures" sold out, they in the meantime acting as a protection to the dealer against fluctuations in the market. The same thing would apply if the mill sold the goods ahead and bought the cotton "futures"

itself, until such time as it could go into the market and buy such actual cotton as it required.

Again, it is the custom of cotton dealers to constantly buy cotton in the South to bring forward before selling it, and to hedge such purchases by selling "cotton futures." As fast as they sell the cotton, either while in transit or perhaps after it has arrived and been put in store, they buy back the "cotton futures," the sale of "futures" having acted as a protection against any change in the market. Large dealers have their agents in the Southern interior markets buying cotton practically every day at a price based upon the price of "cotton futures," and what cotton is not sold each day to mills is sold against in the "cotton futures" market as a protection against the fluctuations of the market. It often happens that cotton dealers are buying cotton and hedging it, and because they *can* hedge it, when mills are buying little or nothing. In the times of very heavy receipts, if the buying of actual cotton was limited to only what the mills were disposed to buy, it would seem that the price might suffer materially.

We cannot but think that the Exchanges have helped the South in the price of its cotton, and that the mills should be the ones to desire the abolition of the Exchanges. Perhaps they do, but we cannot imagine anything but chaos in the cotton business generally without the protection afforded by the Cotton Exchanges.

Yours truly,

HOOPER & BUFFINTON.

WILLIAM ALMY & CO.

COTTON BUYERS AND BROKERS

4 LIBERTY SQUARE,
BOSTON, MASS., March 22, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We use "futures" in our business and we find them a service and a protection. We use them as a protection for future sales of actual cotton to spinners. We also use them for sales against actual purchases of cotton.

Yours very truly,

WILLIAM ALMY & CO.

S. D. BUSH & CO.

COTTON

71 Kilby Street,
Boston, Mass., March 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: The opportunity to buy and sell cotton for future delivery is essential to the conservative handling of our business. Without it a large part of our business would be speculation pure and simple.

If the New York and New Orleans Cotton Exchanges were closed, we should be obliged to employ foreign Exchanges for our hedging operations, causing increased expense, inconvenience and delay.

Very truly yours,
S. D. Bush & Co.

CHAS. STORROW, SPECIAL

WALTER E. ANDREWS — EDWARD C. STORROW

CHARLES STORROW & CO.

53 State Street,
Boston, Mass., March 27, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We consider New York and New Orleans "futures" markets a very great help in hedging (protecting) sales of cotton for future delivery to mills here in New England. For instance, many of our customers during the spring and summer sell their goods for delivery during the following autumn and winter. When they make these sales of goods they wish to buy cotton which they expect to use in making these goods. As there is often but a comparatively small supply of actual cotton at that time, they generally buy new crop cotton to be shipped during the early fall. If the seller of this cotton had no means of protecting himself in the "futures" markets he would take a very great risk in making these sales, a risk which very few dealers indeed would feel willing or able to assume.

Yours truly,
Charles Storrow & Co.

INGERSOLL AMORY　　　ELTON CLARK　　　C. C. PAYSON

INGERSOLL AMORY & CO.

10 Post-Office Square,
Boston, Mass., March 22, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Replying to your letter of the 21st, we often do considerable business during the spring and summer for October, November, December and January shipments, and if we did not have the privilege of hedging in the New York or New Orleans Cotton Exchanges with "futures" contracts we do not see how this business could be done or how the mills could protect themselves on cotton.

Yours very truly,
Ingersoll Amory & Co.

Fall River, Mass.　　　*Providence, R. I.*　　　*Montreal, P. Q.*

CHAS. N. BRUSH　　　PHILIP GARDNER

GEO. ATKINSON, JR.　　　R. J. CROOKS

J. P. COOPER, SPECIAL PARTNER

COOPER & BRUSH

COTTON

830 Exchange Building,
Boston, Mass., March 8, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We beg to state that the opportunity to buy and sell cotton for future delivery on the New York Cotton Exchange is of the greatest value to us as protection against forward sales to mills and also as protection on cotton we may be carrying for ourselves and others.

Our use of the Cotton Exchange is strictly confined to hedging operations, and the removal of such protection would inevitably limit our usefulness to the mills to which we have supplied cotton for years.

We are so much nearer New York that we seldom use the New Orleans Exchange, but, in our opinion, it is of great benefit to the trade for the same purposes.

Yours very truly,
Cooper & Brush.

LUCIUS BEEBE & COMPANY

DEALERS IN COTTON

89 State Street,
Boston, Mass., March 18, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Referring to your letter of March 7th, will say that the opportunity to buy and sell cotton for future delivery on the Cotton Exchanges of New York and New Orleans is of the greatest service to us in our business as a prevention against an advance in prices before we secure the spot cotton, which we sell for delivery several months ahead to the various spinners.

Respectfully yours,
L. Beebe & Co.

TELEGRAM SENT ON FEBRUARY 15, 1911, BY THE MOBILE, ALA., COTTON EXCHANGE TO THE CHAIRMAN OF THE U. S. SENATE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE, WASHINGTON, D. C.

This Exchange protests against the passage of the Scott Anti-Option Bill on the ground that it will turn the cotton market entirely over to European Exchanges, which, to say the least, are unfriendly to the South's most valuable commodity. It will eliminate many of the smaller buyers, as they will be unable to finance their purchases, having no market in which to hedge. It will take from America the means of protection of the price of its most valuable export commodity, and will undoubtedly make a material difference against her in the balance of trade.

This Exchange does exclusively a spot cotton business and has no "futures" branch, but realizes the necessity of having some means of protecting the cotton interests in this country.

We protest against the hasty passage of this bill and ask for a hearing.

T. K. Irwin,
President Mobile Cotton Exchange.

Branch Office, New Bedford, Mass.
R. M. Whitman, Manager

Jeffrey Hazard, President — F. O. Allen, Sec.
L. H. Hazard, Treas. — A. W. Newell, Asst. Sec.

Cable Address "Jeffrey"

HAZARD COTTON COMPANY

Providence, R. I., March 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: We find the New York Cotton Exchange of great service in enabling us to secure protection against sales for delivery of cotton to be made several months in the future. Manufacturers would find it much more difficult to cover with cotton their contracts for the later delivery of goods were there not a Cotton Exchange upon which immediate and dependable prices could be made for the raw material.

Yours truly,
Hazard Cotton Company,
Jeffrey Hazard, *Pres't.*

VAN LEER & COMPANY

COTTON

241 Chestnut Street,
Philadelphia, Pa., March 8, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Replying to yours of 7th inst., we beg to state that it will be impossible to do business for the future delivery of spot cotton without having the New York or New Orleans Exchanges to work through. If we had no Exchanges in this country it would be impossible to do business on as close a margin, or any such basis as we have been doing it for years, and we think most of the hardship would eventually fall upon the farmer, for he would have to carry the cotton until such times as the mills were ready to buy, and it would make business, which is perfectly safe now, very hazardous. We sincerely trust there will be nothing done to put the Exchanges out of business, for it would be a great blow to this country as far as the cotton industry is concerned.

Yours very truly,
Van Leer & Company.

Cable Address Anderclay

ANDERSON, CLAYTON & CO.

COTTON

Oklahoma City, Okla., March 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: In reply to your letter of the 7th inst., we will say that the New York and New Orleans markets are an absolute necessity to the conduct of a merchant's business in cotton, such as we are engaged in. We have customers in New England, also in Europe, who apply to us at various times throughout the spring and summer, say after March 1st, for offers of cotton to be delivered in October, November, December and January of the following season. These customers are desirous of buying at such times on account of the fact that they have made, or are in position to make, sales of their product for future delivery and wish to avoid speculation by immediately covering themselves with an actual purchase of an equivalent amount of raw cotton. We, on our part, are enabled to contract with them for the delivery of the desired quantity of cotton at the time that they will need it by reason of the fact that we can buy "futures" contracts on the New York or New Orleans Cotton Exchanges for an equal number of bales, to protect us against any advance in the market between the time we make such contract with our customer and the time we are enabled to buy the cotton from the producer. Without the facility of thus protecting ourselves we would be compelled to decline to enter into such contracts, as they would be highly speculative and not the character of business that conservative merchants would care to engage in.

Conversely, we are enabled by the use of the Exchanges during the height of the marketing season, say October, November and December, to buy freely from the producer, even though there is at the time no active demand for the actual spot cotton from our customers—the mills. This has been particularly the case in the last two seasons, when the market in New York and New Orleans has been forced up even during the active marketing season to a point which greatly curtailed the demand on the part of the mills, but this condition affected very little the facility of the producer to dispose of his cotton or of the merchant to buy it from him, on account of the fact that merchants of experi-

ence figured rightly that it would only be a matter of time when conditions would right themselves and the mills would again be active buyers of spot cotton, as in the final analysis every bale must find its way to a spindle. The cotton merchants of the South, therefore, continued at such times to buy freely and to protect themselves against the possibility of a decline by selling "futures" contracts for an equivalent number of bales on the New York and New Orleans Cotton Exchanges. Their judgment proved correct in both seasons. After the great bulk of the crop had been marketed in both years, speculators found that instead of merely buying paper contracts, they had bought many thousands of bales of the actual cotton from merchants who owned the cotton and were in position to deliver it to them. Upon the realization of this fact by the speculators a decline took place in the markets of the world in both seasons, which put the market to a point where the mills could see their way clear to buy cotton, and as fast as the cotton merchants sold the cotton to the mills they bought in their hedging contracts for "futures" in New York and New Orleans, thus closing the transactions.

Without the New York and New Orleans Cotton Exchanges the business of the hundreds of cotton merchants throughout the South, whose ramifications reach into every small town throughout the cotton belt and afford a market every day to the producer, would either entirely cease or else be so greatly curtailed that the great bulk of the cotton business would probably have to be handled by the methods existing forty years ago. These methods, as you know, necessitated the shipment of the cotton to large markets for storage and sale, at great expense for commissions, interest, insurance, storage and other attendant charges, amounting, we should say, to an average of at least $5.00 per bale, whereas under the present system of marketing we believe that no one familiar with the facts would contend that the average expense of marketing from the producer to the spinner, so far as the expense and profits of the middle man are concerned, would exceed an average of $1.00 per bale.

The great markets of New York and New Orleans are common meeting places for producers, merchants, brokers and consumers all over the world. I include the producer, as of all the interested parties I believe he uses the Exchanges to as great an extent as any of the factors named. We have shown how the producers during the past two seasons were enabled to dispose of their cotton at a time when the markets were forced so high

that the demand from the mills had almost ceased, and it is our judgment that in the last two years the producers have been enabled to market at top prices several millions of bales on the New York and New Orleans Cotton Exchanges, the buyers being scattered all over the world.

In this letter we have spoken more particularly of the speculator as taking one side of the contract on the Exchanges, but it happens just as often that both sides of the contract are made by legitimate merchants, who wish to protect themselves from fluctuations in the market until their trades can be definitely closed for the actual cotton.

For instance, if we should buy to-day 1,000 bales of cotton at an interior town in Oklahoma at 14 cents per pound for basis of middling, it would be impossible for us to know the exact number of bales of each grade in the 1,000 bales until we sent our agent to class and receive the cotton. In the busy part of the season this would probably take a week's time, and in the meantime the market may have declined a cent a pound, so in order to protect ourselves we sell 1,000 bales of "futures" contracts on the New York or New Orleans Cotton Exchanges to protect us until such time as we know exactly what grades we are in position to offer to the mills. On the other hand, a mill in Russia, say, might sell their yarns for the equivalent of 1,000 bales of cotton, and not having at the moment satisfactory offers from cotton merchants for the desired quantity, quality and delivery, they will purchase 1,000 bales of "futures" contracts in New York or New Orleans to protect themselves, pending a time when they can make a satisfactory purchase of the actual spot cotton. It is quite conceivable, therefore, that the 1,000 bales of "futures" sold by us will be bought by a mill in Russia, both buyer and seller having entered into a perfectly legitimate contract and one which protects them against sharp fluctuations in the market. This character of business is done on the New York and New Orleans Cotton Exchanges every day, the producer of the cotton in America being enabled by the use of the telegraph and cable to meet on the Exchange the consumer of his product in all parts of the world, and dispose of the same to the best possible advantage, with the minimum of risk and at a minimum of expense.

Eliminate these world-serving market places, which are the economic results of years of experience and study and "a survival of the fittest," and we go back, as stated before, to con-

ditions of forty or fifty years ago, resulting in almost incalculable economic loss to the world at large and particularly to the cotton producers of the South.

We have dwelt very much at length on this subject, but it is one that we are greatly interested in, and we feel that it is the duty of every one with a knowledge of the matter to do what they can to prevent the enactment of ill-considered legislation looking to the destruction of the Cotton Exchanges of New York and New Orleans. Yours very truly,

ANDERSON, CLAYTON & CO.

L. H. LOVE T. A. THURMOND

Cable Address "LOVEMOND"

LOVE & THURMOND

COTTON

ARDMORE, OKLA., March 25, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your favor of the 21st inst., it would be impossible to sell cotton on orders for delivery several months in the future on a conservative basis without having the privilege of buying "futures" on the Cotton Exchanges of New York and New Orleans, as a protection against an advance in price.

Yours very truly,

LOVE & THURMOND.

ADA, OKLAHOMA COLUMBUS, MISS.

FRIERSON BROTHERS

COTTON MERCHANTS

ADA, OKLAHOMA, March 28, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We have your letter of March 21st inquiring whether "the facilities for buying and selling cotton for future delivery on the Cotton Exchanges of New York and New Orleans are of service in our business as a protection, etc.," and in reply beg to inform you that these Exchanges afford us the only protection we can get, and we should find it very inconvenient to carry on a spot cotton business without these facilities for hedging (protecting) our daily purchases and sales. Yours very truly,

FRIERSON BROS.

COPY OF TELEGRAM SENT BY GALVESTON COTTON EXCHANGE ON FEB. 16, 1911, TO HON. JOSEPH W. BAILEY, U. S. SENATOR FROM TEXAS

GALVESTON, TEXAS, February 16, 1911.

Hon. J. W. BAILEY, *U. S. Senator,*
Washington, D. C.

The passage of the so-called Scott Anti-Futures Bill will ultimately place the control of cotton in the hands of énormous aggregations of capital as thoroughly as oil, beef and similar products are now controlled by trusts. In the alternative we would be absolutely dependent upon Liverpool and Bremen Exchanges to the detriment of the cotton grower. We urge you to use your influence and vote against the passage of this bill.

GALVESTON COTTON EXCHANGE,
I. H. KEMPNER, *Prest.*

COPY OF TELEGRAMS SENT BY MERCHANTS OF GALVESTON, TEXAS, ON FEB. 16, 1911, TO HON. J. W. BAILEY AND HON. C. A. CULBERSON, U. S. SENATORS FROM TEXAS

GALVESTON, TEXAS, February 16, 1911.

Please do all in your power to prevent the Scott Anti-Option Bill, which will come up for consideration in the House next Friday, from passing. This is an extremely dangerous measure, which will unsettle the entire legitimate cotton business of the country if it should become law, as neither traders could buy cotton nor banks lend money on it with safety. It is too important a matter and affects too many interests to be railroaded through Congress without the fullest testimony from those interested. It would seriously affect the cotton grower and the cotton merchants throughout the cotton country, and we ask your valuable support to present the case in whichever of the Houses of Congress it may be brought up.

P. G. PAULS
J. W. STEELE
EUSTACE TAYLOR
M. LASKER
U. MULLER
SAML. KERR
OSWALD FLINT
D. W. KEMPNER
F. B. VON HARTEN
JNO. WELLS
D. S. GODWIN
W. NISBET
E. C. WORRALL

(Above telegrams printed by permission of Mr. I. H. Kempner, Pres't of Galveston Cotton Exchange)

LETTER FROM MR. W. L. CLAYTON, PRESIDENT OF THE OKLAHOMA STATE COTTON EXCHANGE, TO HON. THOS. P. GORE, U. S. SENATOR FROM OKLAHOMA

(Printed by Mr. Clayton's Permission)

W. L. Clayton, *Pres.*, Oklahoma City, Okla.
J. R. McKnight, *Vice-Pres.*, Oklahoma City, Okla.
C. W. Hancock, *Sec. and Treas.*, Ardmore, Okla.

THE OKLAHOMA STATE COTTON EXCHANGE
(Chartered)

Board of Directors
W. L. Clayton, Oklahoma City, Okla.
S. W. King, Dallas, Texas
R. T. Harriss, Oklahoma City, Okla.
J. R. McKnight, Oklahoma City, Okla.
J. A. Sewall, Jr., Oklahoma City, Okla.
J. M. Caine, Oklahoma City, Okla.
L. H. Love, Ardmore, Okla.

Office of the President,
Oklahoma City, Okla., March 17, 1911.

Dear Sir: It is my understanding that an effort will be made at the coming session of Congress (which convenes April 4th) to pass the Scott Anti-Option Bill. I think I am safe in saying that the members of this Exchange are unanimous in the belief that the passage of this bill, or any other measure of similar import, would be extremely detrimental to the interests of producers and handlers of cotton in this State, and knowing that your aim is to protect the interests of the people of Oklahoma, I take the liberty of presenting to you as briefly as possible a few reasons why the present method of marketing our cotton crop (which method the Scott Bill attempts to overthrow) is the most satisfactory and economical one that has been devised out of years of experience and study.

In many lines of business the tendency in recent years has been toward an increase in the size of the business unit, and *ipso facto* a decrease in the number of such units. The result has been the concentration of business in those lines in the hands of a few strong firms or corporations who could, by co-operation, largely

control prices. This has not been the case in the cotton business; the size of the unit has not increased; the number of the units has materially increased. The result is that the cotton business is conducted on a highly competitive basis all along the line, from the producer of the cotton to the eventual consumer of the goods.

Inasmuch as cotton runs into large values, it would seem that one important element tending toward monopoly or semi-monopoly is inherent in the business, in that huge sums of capital are required to merchandise and manufacture it. It is apparent, therefore, that there must exist some strong counteracting influences which have served to keep this great industry in the competitive class.

I am stongly of the opinion that one of the most potent of these influences is the existence of the great Cotton Exchanges, where producers, merchants and consumers from all over the world can meet daily, through the use of the telegraph and cable, and compete with each other in the handling of this great commodity.

A cotton merchant in Oklahoma City, for instance, has mill customers in this country, Europe and Japan, who apply to him at various times throughout the spring and summer, say on and after March 1st, for offers on cotton to be delivered in October, November, December and January of the following season. These customers are desirous of buying at such times on account of the fact that they have made, or are in position to make, sales of their product for future delivery and wish to avoid speculation by immediately covering themselves with an actual purchase of an equivalent amount of raw cotton. The merchant, on his part, is enabled to contract with them for the delivery of the desired quantity of cotton at the time that they will need it by reason of the fact that he can buy "futures" contracts on the New York or New Orleans Cotton Exchanges for an equal number of bales, to protect him against any advance in the market between the time he makes such contract with his customer and the time he buys the actual cotton from the producer. Without the facility of thus protecting himself, the conservative merchant would decline to enter into such contracts, as they would be highly speculative and not the character of business that he could afford to engage in.

Conversely, the merchant is enabled by the use of the Exchanges during the height of the marketing season, say October, November and December, to buy freely from the producer, even

though there is at the time no active demand for the actual spot cotton from his customers—the mills. This has been particularly the case in the last two seasons, when the market in New York and New Orleans has been forced up during the active marketing season to a point which greatly curtailed the demand on the part of the mills, but this condition affected very little the facility of the producer to dispose of his cotton at the full market price or of the merchant to buy it from him, on account of the fact that merchants of experience figured that it would only be a matter of time until conditions would right themselves and the mills would again be active buyers of the spot cotton, as in the final analysis every bale must find its way to a spindle. The cotton merchants of Oklahoma, therefore, continued at such times to buy freely and to protect themselves against the possibility of a decline by selling "futures" contracts for an equivalent number of bales in New York or New Orleans. Their judgment proved correct in both seasons. After the great bulk of the crop had been marketed speculators in New York and New Orleans found that they had bought many thousands of bales of the actual cotton from merchants who owned the cotton and were in position to deliver it to them. Upon the realization of this fact by the speculators a decline took place in the markets of the world in both seasons, which put the market to a point where the mills could see their way clear to buy cotton, and as fast as the cotton merchants sold the cotton to the mills they bought in their hedge "futures" contracts in New York and New Orleans, thus closing the transaction. In the meantime, however, fully 80 per cent. of the crop had passed from the hands of the producer, at the top prices of the season.

Without the New York and New Orleans Cotton Exchanges the business of the hundreds of cotton merchants throughout the South, whose ramifications reach into every small town throughout the cotton belt and afford a market every day to the producer, would either entirely cease or else be so seriously curtailed that the great bulk of the cotton business would probably have to be handled by methods existing forty years ago. These methods, as you know, necessitated the shipment of the cotton to large markets for storage and sale, at great expense for commissions, interest, insurance, warehousing and other attendant charges, amounting, I should say, to an average of at least $5.00 per bale, whereas under the present system it is my opinion that the cost of marketing the crop from the producer to the

spinner, so far as the expenses and profits of the middle man are concerned, would hardly exceed an average of $1.00 per bale.

The great markets of New York and New Orleans are common meeting places for producers, merchants, brokers and consumers all over the world. I include the producer, as of all the interested parties I believe he uses the Exchange to as great an extent as any of the other factors named. I have shown above how the producers during the past two seasons were enabled to dispose of their cotton at a time when the markets were forced so high that the demand from the mills had almost ceased, and it is my judgment that in the last two years the cotton producers of the South have been enabled to market at top prices several millions of bales on the New York and New Orleans Cotton Exchanges, the buyers being speculators scattered all over the world.

In this letter I have spoken more particularly of the speculator as taking one side of the contract on the Exchanges, but in reality it happens more often that *both* sides of the contract are taken by parties whose sole business is the use of or handling of cotton, who wish to protect themselves against fluctuations in the market until their trades can be definitely closed for the actual cotton.

For instance, if an Oklahoma City cotton merchant should buy, say, 500 bales cotton at interior towns in Oklahoma from Farmers' Union gins and sundry merchants in lots of 25 to 100 bales, it would be impossible for him to know conclusively the exact number of bales of each grade in the 500 bales until he sent his agent to class and receive the cotton. In the busy part of the season this often takes a week's time, and in the meantime the market may have declined a cent a pound, so in order to protect himself he sells 500 bales of "futures" contracts on the New York or New Orleans Exchange, until such time as he knows exactly what grades he is in position to offer to the mills. On the other hand, a mill in Russia, say, might sell their yarns for the equivalent of 500 bales of a certain grade of cotton, and not having at the moment satisfactory offers from cotton merchants for the desired quantity, quality and delivery, will purchase 500 bales of "futures" contracts in New York or New Orleans to protect themselves pending a time when they can make a satisfactory purchase of the actual spot cotton. It is quite conceivable, therefore, that the 500 bales of "futures" sold by the Oklahoma City merchant will be bought by the Russian manu-

facturer, both buyer and seller having entered into a perfectly legitimate and sound contract for temporary purpose and one which protects them against sharp fluctuations in the market until they can close the transaction by agreeing on all the necessary details as to grade, price, time of delivery, method of payment, etc., of the actual cotton when the temporary transaction is reversed. This character of business is done on the New York and New Orleans Cotton Exchanges every day, the producers of the cotton in the South being enabled, by the use of the telegraph and cable to meet on the Exchange the consumer of their product in all parts of the world, and dispose of same to the best possible advantage, with the minimum of risk and at a minimum of expense.

Eliminate these world-serving market places, which are the economic results of years of experience and study and a "survival of the fittest," and we go back, as stated before, to conditions of forty and fifty years ago, resulting in almost incalculable economic loss to the world at large, and particularly to the cotton producers of the South. Take away the opportunity of the hundreds of small cotton merchants throughout the South to hedge their transactions and protect themselves against losses and you destroy the credit which is now freely granted them by the bankers of the South, and without which they would be helpless. No conservative banker will advance $75.00 on an article to-day which may only be worth $70.00 next week and $60.00 next month, the borrower being powerless to protect himself and the bank in the meantime.

Having arrived at this point, there is, to my mind, only one drift that the business can take. The hundreds of small cotton merchants in the South being eliminated from the situation, it will become necessary for the producers, by the aid of their home merchants and banks, to ship their cotton on consignment, as was done before and just after the war, to the large markets, such as Memphis, Galveston and New Orleans, at much greater expense than under the present method of marketing, and where the sale of their cotton will be almost entirely taken out of their hands. At these markets a few powerful firms with large resources will gradually but surely come into possession of the bulk of the business. It is, of course, quite likely that these same firms will, to some extent, send their agents into the interior and buy direct from the producer, but, in my opinion, the result will be almost the same; the small dealers being eliminated, the large dealers will exact a heavier tax from the

producer for their services, and will really be compelled to do so on account of the increased risks in the business.

I have faith in the purpose and ability of a majority of our law makers to legislate for the best interests of the people of this country, and I do not believe that they will paralyze the very vitals of our present system of marketing a commodity running into an annual value of a billion dollars, and forming, as it does, the very financial life-blood of the South.

Respectfully yours,

W. L. Clayton, *President.*

COPY OF TELEGRAMS SENT ON FEB. 14, 1911, BY THE HOUSTON, TEXAS, COTTON EXCHANGE AND BOARD OF TRADE TO THE CHAIRMAN OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE OF THE U. S. SENATE

(Printed by permission of Mr. A. L. Nelms)

Houston, Texas, February 14, 1911.

Hon. Chairman of the Senate Committee on Interstate and Foreign Commerce, Washington, D. C.

At a special meeting of the Board of Directors of the Houston Cotton Exchange and Board of Trade held to-day a resolution was passed requesting me to wire you protesting against the passage of the Scott Anti-Option Bill, the sense of this Exchange being in opposition to the bill.

A. L. Nelms, *President.*

COPY OF TELEGRAMS SENT ON FEB. 16, 1911, TO HON. CHARLES A. CULBERSON AND HON. JOSEPH W. BAILEY, U. S. SENATORS FROM TEXAS, BY THE PARIS, TEXAS, COTTON EXCHANGE

At a called meeting of the Paris Cotton Exchange it was resolved that it is the sense of the meeting that the passage of the Scott Anti-Option Bill would cause great hardship not only to the Southern buyer, but to the producer of cotton; that it will transfer all hedging to Europe and place us at the mercy of the European Exchanges.

Ed. Hutson, *Pres't.*

GREENVILLE, TEXAS, May 2, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: On behalf of the Greenville Cotton Exchange, I beg to advise you that the members are opposed to the "Scott Futures Bill."

"Futures" hedges are a safeguard to us, and any legislation should leave traders in cotton free to protect their transactions as is most convenient.

Respectfully yours,
H. L. WARREN,
Sec'y and Treas. Greenville Cotton Exchange.

COPY OF TELEGRAMS SENT ON FEBRUARY 15, 1911, TO HON. A. O. BACON AND HON. JOSEPH M. TERRELL, U. S. SENATORS FROM GEORGIA, AND TO HON. MURRAY M. CRANE, CHAIRMAN COMMITTEE ON INTERSTATE COMMERCE OF U. S. SENATE

(Printed by permission of Paul T. Haskell, Jr., Esq., Pres't of Savannah Cotton Exchange)

At a meeting of the Board of Directors of the Savannah Cotton Exchange held this day the following resolution was adopted:

Acknowledging that there are abuses in the methods of the Cotton Exchanges dealing in "futures" which ought to be corrected, the abolition of dealing in "futures" contracts would be a serious blow to the cotton industry, and we respectfully ask that the Senators from Georgia appear before the Senate Committee and protest against the passage of the Scott Bill.

PAUL T. HASKELL, JR.,
President Savannah Cotton Exchange.

COPY OF RESOLUTIONS ADOPTED BY THE RICHMOND (VIRGINIA) CHAMBER OF COMMERCE ON FEBRUARY 17, 1911

Believing that the Scott Anti-Option Bill now before the United States Senate Committee on Interstate and Foreign Commerce to be a measure in restraint of trade and one calculated to decrease the value of the South's great staple, cotton, causing loss

to our planters and merchants and driving to foreign countries business now done here, and further being convinced that it will curtail the borrowing capacity of planters and merchants by impairing the collateral value of the staple,

Therefore be it resolved that the Board of Directors of the Richmond Chamber of Commerce do most earnestly protest against the passage of this bill, and do hereby invoke the active aid of the Senators from Virginia to defeat the measure, both before the committee now having it under consideration and in the Senate.

HENRY W. WOOD, *President.*

Attest:

R. A. DUNLOP, *Secretary.*

COPY OF LETTER SENT ON FEB. 15, 1911, BY THE NORFOLK AND PORTSMOUTH, VIRGINIA, COTTON EXCHANGE TO HON. THOMAS S. MARTIN, U. S. SENATOR FROM VIRGINIA

(Printed by permission of Mr. John H. Rodgers, President of Norfolk and Portsmouth Cotton Exchange)

NORFOLK, VA., February 15, 1911.

Hon. THOMAS S. MARTIN, *U. S. Senate,*
Washington, D. C.

DEAR SIR: I have been instructed to enlist your aid in behalf of the members of the Norfolk and Portsmouth Cotton Exchange to defeat the enactment of the Scott Anti-Option Bill into law.

The large majority of the members of this Exchange are commission men, representing the interests of the farmers and merchants of the Carolinas.

To do away with the dealing in deliveries of cotton in the future would for a long time throw into confusion the present methods of business, which are a result of many years' slow growth, but the chief damage which this bill would cause if it became law would be to the cotton growers of the Southern States.

To-day the operations of the New York and New Orleans "futures" markets enables and facilitates the purchase by the outside public of cotton during the autumn months, when the bulk of the crop is marketed, thus relieving the glut of cotton

which would take place if there were no such dealing and enabling the farmer to obtain a fair price for his cotton at a time when he is forced to make his principal deliveries.

Were the American "futures" markets eliminated this burden would fall entirely upon the actual consumer of cotton and the "futures" markets of Liverpool and Havre, which are dominated by bearish influences, they being located entirely in the consuming countries.

It is confidently believed that such a law would cause the Southern producer to lose from fifty to one hundred and fifty million dollars annually in the lower price which he would obtain for his cotton, and there appears really no good purpose which such a law would accomplish.

The dealing in "futures" among the members of this Exchange is in no wise a speculative one, but it is a necessary measure in the protection in their day to day dealings in the conveyance of the cotton crop from the producer to the consumer.

This Exchange would thank you for any active interest that you can take to defeat the measure.

Very respectfully yours,

NORMAN BELL, *Secretary.*

THE COMMERCIAL NATIONAL BANK OF SHREVEPORT

UNITED STATES DEPOSITORY

SHREVEPORT, LA., May 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: I am pleased to acknowledge receipt of your favor of the 5th of May and note its contents, and I fully agree with the cotton merchants of the South as to the usefulness to the cotton trade of the facilities offered by the New York and New Orleans Cotton Exchanges for protection of their transactions in spot cotton, and that the system of buying and selling "cotton futures" should be of service to the banks as an additional protection against a decline in the cotton on which they have made loans.

The banks certainly will prefer the cotton being "hedged" or protected in this manner against decline in the market, and certainly they would be more willing to make advances upon it than if its value were not protected in the manner indicated.

And we certainly think that any legislation that would prevent transactions in cotton "futures" on the New York and New Orleans Exchanges would deprive the banks of a valuable protection on their advances on spot cotton awaiting sale. We certainly feel that we want no legislation of this kind, as we want all the protection possible to get, and certainly agree with you in your views.

I am pleased indeed to answer your letter.

Yours very truly,

P. Youree, *President.*

THE AUSTIN NATIONAL BANK

Capital $300,000 Surplus and Profits $325,000

Austin, Texas, May 8, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Your letter of the 5th asking my views in reference to cotton hedging is received.

In reply I beg to say to you, in brief, that cotton men who sell cotton before they buy it must of necessity hedge their sales in order to do anything like a safe business. Cotton firms who do not protect themselves in this way are unsafe customers for a bank, and the banks would not care to handle their account.

Yours truly,

E. P. Wilmot, *President.*

BANK OF COMMERCE AND TRUST CO.,
MEMPHIS, TENN.

CAPITAL AND SURPLUS TWO MILLION DOLLARS

Memphis, Tenn., May 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: I have your letter of May 5th.

We understand thoroughly well the system of "hedging" practiced by cotton buyers, who are cotton merchants, for protection. Many of our customers feel that they cannot afford to hold cotton that is not "hedged." It gives them a feeling of security, and that feeling of security is shared by the bank. It is a necessary part of present business methods.

The small or weaker cotton buyer needs the protection afforded by "hedging" more than the large one does, as banks would extend credit to a buyer having a large estate for a reasonable

amount of cotton not hedged; but to the buyer who has no estate "hedging" is a necessary arrangement for credit. The discontinuation of such facility would greatly decrease competition.

Yours very truly,

T. O. Vinton, *President.*

CITIZENS' NATIONAL BANK

(UNITED STATES DEPOSITORY)

Meridian, Miss., May 13, 1911.

Alfred B. Shepperson, Esq., New York, N. Y.

Dear Sir: While I am President of the Citizens' National Bank, I take no part in the details of the business.

Personally I consider legitimate transactions in "cotton futures" as essential to the safety of the dealer in spot cotton. The merchant who knows how to "hedge" can avoid loss by a decline in cotton.

"Futures" dealing only hurts the gambler that gets on the wrong side.

I cannot see how the producers of cotton can be injured either by legitimate or illegitimate trading in "futures." On the contrary, I believe they would be the greatest sufferers by its prohibition.

Yours truly,

H. M. Street.

THE MURCHISON NATIONAL BANK

Capital $825,000 Surplus $425,000

Wilmington, N. C., May 8, 1911.

Mr. A. B. Shepperson, New York, N. Y.

Dear Sir: I have your favor of the 6th inst.

We know that buyers of cotton all over the South buy the actual cotton and sell on the Cotton Exchanges to protect themselves from loss by a decline. Where cotton is handled in this way lenders of money, knowing that it has been sold at its current value, lend more readily on it and nearer to its value than they otherwise would. On cotton held on speculation we always require a large margin against a possible decline in the price.

I think the Cotton Exchanges are as necessary now in legitimate business as any other organization can be. In fact, to stop "futures" transactions in cotton would, in my opinion,

demoralize the whole cotton trade in this country. People are going to sell cotton and other staple products for future delivery, and the business of "futures" sales will be transferred to foreign markets, which would entail a heavy loss on the business of this country.

Yours truly,
H. C. McQueen, *President.*

THE MERCHANTS' AND PLANTERS' BANK OF PINE BLUFF

Pine Bluff, Ark., May 10, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Yours of the 6th received. All well-regulated banks compel the buyers of spot cotton to keep it hedged with "futures" or margined to an extent that the most timid bank would feel safe; the latter means a restricted business and a cramped feeling to all concerned.

Without the use of the "futures" market in the cotton business credit would be hurt and the price of cotton be on the basis of rice or any commodity now not enjoying the privilege of the "futures" hedge. If Congress takes this away from the cotton growers there will be seen many new faces from the South in both Houses of Congress just as soon as the change can be made.

Yours respectfully,
S. C. Alexander, *President.*

THE FIRST NATIONAL BANK OF ADA

Ada, Oklahoma, May 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

Dear Sir: Replying to your favor of the 6th inst. in regard to the usefulness to the cotton trade of the facilities offered by the New York and New Orleans Cotton Exchanges for protecting transactions in spot cotton, beg to advise that I think the facilities offered by these Exchanges are practically indispensable in the handling of spot cotton, and am very much opposed to the proposed legislation seeking to prevent transactions in cotton for future delivery on these Exchanges.

Yours truly,
P. A. Norris, *President.*

DELTA BANK

GREENWOOD, MISS., May 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to your favor of the 5th inst., we believe that the cotton Exchanges at New York and New Orleans perform an important service when their contracts are used as a hedge by spot cotton merchants, spinners and planters. If these Exchanges were deprived of these functions the risk to banks in handling the cotton crop would be much greater than at present.

We believe, though, that the New York contract would be greatly improved for legitimate purposes if each contract for 100 bales should contain no more than three half grades and those in sequence. Also that staple shorter than ¾ inch should receive a proper penalty, while staple of 1 1/16 and upward should receive a premium proportionate with the spinning value. Revision of differences in both grade and staple should occur at least four times annually. By these changes cotton accepted by spinners from the New York stock should be in a usable shape for most manufacturers making other than fine goods. Prompt delivery to the buyer who takes up spot cotton on the New York contract should at all times be effected.

Yours very truly,

W. R. HUMPHREY, *President.*

Designated Depository of the United States

FIRST NATIONAL BANK

MERIDIAN, MISS., May 20, 1911.

Mr. A. B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your letter of 8th inst., beg to say that I think the facilities for covering the sales of spot cotton by the purchase of "futures" contracts are undoubtedly a great protection to the cotton buyer and necessarily add very greatly to the protection of the banks, who are accustomed to lend credit based on such sales. I think any curtailment of the facilities would add greatly to the hazard of the conduct of the cotton business and also of the transactions of the banks with reference to handling such accounts.

Yours truly,

EDWIN MCMORRIES, *President.*

THE FIRST NATIONAL BANK OF HOUSTON

HOUSTON, TEXAS, May 9, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: Replying to yours of the 5th inst., we believe all bankers handling cotton accounts should know that the purchases of their customers are covered either by actual sales or hedged through the "futures" market.

Should the hedging facilities offered by the New York and New Orleans Cotton Exchanges be withdrawn by legislation, no doubt the great preponderance of such business would go to the Liverpool Exchange.

The good uses of the Exchanges in this country are overlooked by many by reason of the unquestionable abuses it has led to in the way of indiscriminate speculation.

Certainly no thoughtful business man overlooks the advantages and benefits of the proper use of our two large cotton Exchanges, and the abuses and criticisms have been largely brought about by the misdirected efforts of some of the members to secure additional business, not of legitimate, but of purely speculative character.

Yours very truly,

H. R. ELDRIDGE, *Vice-President.*

CENTRAL TEXAS NATIONAL BANK OF WACO

WACO, TEXAS, May 12, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We have your letter of May 5th concerning legislation against the sale of cotton for future delivery. We believe the New York and New Orleans Cotton Exchanges are beneficial to the banks, or to those persons who furnish money for buying cotton, by enabling the buyers of spot cotton to hedge against any loss.

If the use of the Exchanges could be restricted to the cotton buyers, or firms actually dealing in cotton, or for spinners, we believe the Exchanges could be operated without harm to any one and for the good of the cotton business.

Yours truly,

W. H. MCCULLOUGH, *Pres't.*

COPY OF TELEGRAM SENT BY THE BANKS OF GAINESVILLE, TEXAS, TO HON. JOSEPH W. BAILEY AND HON. C. A. CULBERSON, UNITED STATES SENATORS FROM TEXAS, ON FEBRUARY 15, 1911

We as bankers handling cotton accounts feel that the passing of the Scott Anti-Option Bill would impair the credit of our customers, destroy our safety in advancing money on cotton and eventually throw the burden of the risk and loss on the producer.

(Signed)

FIRST NATIONAL BANK,
By J. W. GLADNEY, *Cashier.*

LINDSAY NATIONAL BANK,
By J. M. LINDSAY, *Pres't.*

FIRST STATE BANK,
By J. W. DOWNWARD, *Pres't.*

GERMAN-AMERICAN STATE BANK,
By H. P. WARE, *Pres't.*

CITIZENS' BANK & TRUST CO.

AUSTIN, TEXAS, May 15, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: We have your favor of the 9th, which has been very carefully noted, and in reply we beg to say that we do not see how it is possible for the cotton merchants of the South to handle their business on a safe and conservative basis without the facilities of the New York and New Orleans Cotton Exchanges for protecting their transactions. We wish further to say that we do not care to handle the account of any cotton merchant unless we know that they could hedge their business in a safe way. Of course as long as the merchant is using his personal funds for the buying of cotton we would have no control, but the moment that his funds were exhausted and he would become a borrower of our bank, the first thing we would want to know was whether the cotton was sold or hedged, and if not sold, we would want to know that he had hedges out against it; otherwise it would be a very risky loan for any bank unless ample margin was left

with us, but as a rule cotton merchants in this section of the belt do not carry ample margin. If the privilege of hedging was taken from the cotton merchants we do not believe it would be possible for them to continue in business except on direct orders; in this way the farmer would be at the mercy of the consumer.

Yours truly,

WM. R. HAMBY, *President.*

THE FIRST NATIONAL BANK OF GALVESTON

GALVESTON, TEXAS, May 15, 1911.

Mr. Alfred B. Shepperson, New York, N. Y.

DEAR SIR: In reply to your favor of the 5th inst., beg to say my understanding is that cotton buyers, by a system of hedging, protect themselves againct fluctuations of the market while they are holding spot cotton, and to this extent at least "futures" appear to serve a useful purpose. Advances made against cotton so protected are certainly safer than if cotton is not protected by hedging.

Yours very truly,

FRED. W. CATTERALL, *Cashier.*

The letters from Southern bankers on pages 55 to 62 were in response to my inquiries if the banks would not be more willing to make loans on cotton against which "cotton futures" had been sold than when its value was not thus protected; also if legislation which prevented transactions in cotton for future delivery on the New York and New Orleans Cotton Exchanges would not deprive the banks of a valuable protection for their advances on spot cotton awaiting sale.

ALFRED B. SHEPPERSON.

COPY OF THE BILL KNOWN AS THE SCOTT ANTI-OPTION BILL PASSED BY THE UNITED STATES HOUSE OF REPRESENTATIVES ON JUNE 23, 1910

AN ACT

To prohibit interference with commerce among the States and Territories and with foreign nations, and to remove obstructions thereto, and to prohibit the transmission of certain messages by telegraph, telephone, cable, or other means of communication between States and Territories and foreign nations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That certain words used in this Act and in proceedings pursuant hereto shall, unless the same be inconsistent with the context, be construed as follows: The word "message" shall mean any communication by telegraph, telephone, wireless telegraph, cable, or other means of communication from one State or Territory of the United States or the District of Columbia to any other State or Territory of the United States, or the District of Columbia or to any foreign country. The word "person" shall mean any person, partnership, joint stock company, society, association, or corporation, their managers and officers, and when used with reference to the commission of acts which are herein required or forbidden shall include persons who are participants in the required or forbidden acts, and the agents, officers, and members of the boards of directors and trustees, or other similar controlling or directing bodies of partnerships, joint stock companies, societies, associations, and corporations. And words importing the plural number, wherever used, may be applied to or mean only a single person or thing, and words importing the singular number may be applied to or mean several persons or things.

SECTION 2. That it shall be unlawful for any person to send or cause to be sent any message offering to make or enter into a contract for the purchase or sale for future delivery of cotton without intending that such cotton shall be actually delivered or received, or offering to make or enter into a contract whereby any party thereto or any party for whom or in whose behalf such contract is made acquires the right or privilege to demand in the future the acceptance or delivery of cotton without being thereby obligated to accept or to deliver such cotton; and the trans-

mission of any message relating to any such transaction is hereby declared to be an interference with commerce among the States and Territories and with foreign nations. Any person who shall be guilty of violating this section shall, upon conviction thereof, be fined in any sum not more than one thousand dollars nor less than one hundred dollars or shall be imprisoned for not more than six months nor less than one month, or by both such fine and imprisonment, and the sending or causing to be sent of each such message shall constitute a separate offense.

SECTION 3. That it shall be the duty of any person sending any message relating to a contract or to the making of a contract for future delivery of cotton to furnish to the person transmitting such message an affidavit stating that he is the owner of such cotton and that he has the intention to deliver such cotton; or that such cotton is at the time in actual course of growth on land owned, controlled, or cultivated by him and that he has the intention to deliver such cotton; or that he is, at the time, legally entitled to the right of future possession of such cotton under and by authority of a contract for the sale and future delivery thereof previously made by the owner of such cotton, giving the name of the party or names of parties to such contract and the time when and the place where such contract was made and the price therein stipulated, and that he has the intention to deliver such cotton; or that he has the intention to acquire and deliver such cotton or that he has the intention to receive and pay for such cotton: *Provided,* That any person electing to do so may file with the telegraph, telephone, wireless telegraph, or cable company an affidavit stating that the message or messages being sent, or to be sent, for the six months next ensuing by such person do not and will not relate to any such contract or offers to contract as are described in section two of this Act, and any such company shall issue thereupon a certificate evidencing the fact that such affidavit has been duly filed and such certificate shall be accepted in lieu of the affidavit herein required at all the transmitting offices of such company during the life of said affidavit. Any person who knowingly shall make a false statement in any affidavit provided for in this Act shall be punished by a fine of not more than five thousand dollars nor less than five hundred dollars or shall be imprisoned for not more than two years nor less than one year, or by both such fine and imprisonment. And in any prosecution under the provisions of section two or three of this Act the proof of failure to make any

affidavit herein required shall be *prima facie* evidence that said message or messages related to a contract prohibited by section two of this Act, and the proof of failure to deliver or receive the cotton called for in any contract for future delivery of cotton shall be *prima facie* evidence that there was no intention to deliver or receive such cotton when said contract was made.

SECTION 4. That any agent of any telegraph, telephone, wireless telegraph, or cable company to whom messages herein described may be tendered is hereby required, empowered, and authorized to administer any oath required to be made under the provisions of this Act with like effect and force as officers having a seal, and such oath shall be administered without any charge therefor.

SECTION 5. That it shall be unlawful for any person owning or operating any telegraph or telephone line, wireless telegraph, cable, or other means of communication, or any officer, agent, or employee of such person, knowingly to use such property or knowingly to allow such property to be used for the transmission of any message relating to such contracts as are described in section two of this Act. Any person who shall be guilty of violating this section shall, upon conviction thereof, be punished for each offense by a fine of not more than one thousand dollars nor less than five hundred dollars, and the sending of each message in violation of the provisions of this section shall constitute a separate offense.

SECTION 6. That every book, newspaper, pamphlet, letter, writing or other publication containing matter tending to induce or promote the making of such contracts as are described in section two of this Act is hereby declared to be non-mailable matter, and shall not be carried in the mail or delivered by any postmaster or letter carrier. Any person who shall knowingly deposit or knowingly cause to be deposited for mailing or delivery any matter declared by this section to be non-mailable, or shall knowingly take or cause the same to be taken from the mails for the purpose of circulating or disposing thereof, or of aiding in the circulation or disposition thereof, shall be fined not more than five thousand dollars nor less than five hundred dollars, or shall be imprisoned not more than five years nor less than one year, or both. Any person violating any of the provisions of this section may be proceeded against by information or indictment and tried and punished either in the district at which the

unlawful publication was mailed or to which it is carried by mail for delivery according to the direction thereof, or at which it is caused to be delivered by mail to the person to whom it is addressed.

SECTION 7. That the Postmaster General, upon evidence satisfactory to himself that any person is sending through the mails of the United States any matter declared by section six of this Act to be non-mailable, may instruct the postmasters in the post-offices at which such mail arrives to return all such mail to the postmaster in the post-office at which it was originally mailed, with the word "unlawful" plainly written or stamped upon the outside thereof, and all such mail, when returned to said postmaster, shall be returned to the sender or publisher thereof under such regulations as the Postmaster General may prescribe.

SECTION 8. That in any proceeding under this Act all persons may be required to testify and to produce books and papers, and the claim that such testimony or evidence may tend to criminate the persons giving such testimony or producing such evidence shall not excuse such person from testifying or producing such books and papers; but no person shall be prosecuted or subjected to any penalty or punishment whatever for or on account of any transaction, matter, or thing concerning which he may testify or produce evidence of any character whatever.

ACTION OF THE UNITED STATES SENATE ON THE SCOTT ANTI-OPTION BILL

The bill was referred to the Committee on Interstate Commerce of the Senate and reported by that Committee to the Senate on February 17, 1911, with proposed amendments as follows:

All of Section 4 (requiring agents of Telegraph, Telephone, Wireless Telegraph or Cable Companies to administer oaths to senders of messages) to be omitted.

All of Sections 6 and 7 (prohibiting the use of the mails for all "matter tending to induce or promote the making" of contracts respecting Cotton for Future Delivery) to be omitted.

No further action in regard to the bill was taken by the 61st Congress, which adjourned on March 4, 1911.

The bill is called the "Scott Bill" because it was introduced by Mr. Charles F. Scott, member of the House of Representatives from Kansas. Mr. Scott was not re-elected to the 62d Congress.

DATE